





FINANCIAL TIMES

Schneider probe broadens after second arrest

The Belgian investigation into Didier Pineau-Valencienne, chairman of France's Groupe Schneider, broadened with the arrest of an Italian businessmen as part of a fraud inquiry involving Belgian subsidiaries of the electrical engineering

Belgian justice officials said that Valentino Foti had been detained on the same charges as Mr Pineau-Valencienne. The Schneider chairman, held in a Brussels prison since Friday, is charged with fraud and falsification of accounts following an investigation triggered by complaints from minority shareholders in Cofibel and Cofimines. Belgian subsidiaries of the French company.

IBM aims to unify software development



International Business Machines is realigning its worldwide software development operations following a management review ordered by chairman and chief executive Lou Gerstner (left). IBM, which spends about \$1bn a year developing software, plans to co-ordinate efforts behind a set of technolo

gies called "Workplace". The shift is part of Mr Gerstner's plans to unify IBM's product development work. Page 17

Mediobanca chiefs under investigation: Four senior executives of Mediobanca, the Milan merchant bank, were told they were under investigation by Ravenna magistrates for alleged irregularities in their role as advisers to the collapsed Ferruzzi-Montedison group. Page 17

Nikkei reaches 1994 closing high: Markets in London and New York were closed yesterday. but in Tokyo, foreign buying of heavy industrial shares helped push the Nikkei average up 61.81 points to a 1994 closing high of 20,838.97. Friday's closing share prices for US and UK markets were published in the FT on Saturday and yesterday. Page 17: Lex. Page 16

Japan's steelmakers under pressur Japan's steel industry, severely squeezed by recession and fierce price competition, faces demands from the country's carmakers to reduce prices for sheet steel. Page 20

UK may stem import of construction steel Regulations to stem imports into Britain of cutprice subsidised construction steel, mainly from Italy and Spain, are being considered by the UK government. Page 16

Business leaders call in a letter to the Financial Times today for British industry to "stand up and be counted" in the forthcoming European elections. "The silent industrial majority must make its voice heard above the political bickering," they write. Page 14

Russia demands veto on Caspian oil deals: Russia demanded the right to reject Caspian Sea oil projects that its former Soviet neighbours are negotiating with western companies, a move which could undermine some of the world's largest energy deals. Page 2

Poland to keep tough banking rules: Poland's central bank intends to maintain its tough licensing policy for domestic and foreign banks, making it unlikely that Chase Manhattan and Deutsche Bank, which have applications pending, will be allowed into the country in the near future. Page 18

Japanese chip makers to boost capacity: Japan's six leading electronics companies plan to increase investment in semiconductor making capacity by 15.3 per cent to a combined Y461bn (\$4.39bn) in the year to March in response to a surge in demand for personal computers in the

US and Japan. Page 6 Total sees room for profits growth: French oil group Total expects half-time operating profits of about the same level as the FFr3.49bn (\$591m) recorded in the first six months of 1993, but says it has room for increased production and improved productivity. Page 21

inco agrees terms with unions: Inco. the western world's biggest nickel producer, has signed a tentative three-year labour contract with aimost 1,000 workers at its Ontario operations, averting a strike which was due to begin tonight.

IN set to harden stance on N Korea: The United Nations Security Council is today expected to discuss North Korea's refusal to let international inspectors examine fuel rods being removed from its nuclear reactor. The US is threatening sanctions, but China is warning against punishment. Page 16

Suez in property deal with Unibail: French financial and industrial holding company Suez is selling a large part of the property assets of its Compagnie Foncière Internationale property subsidiary to Unibail, the property management group, for between FFr3.2bn and FFr4bn (\$570m

and \$712m). Page 17 Saga lifts profits: Saga Petroleum, Norway's biggest independent oil company, lifted pre-tax profit for the first four months of the year to NKr659m (889m) from NKr640m despite lower crude oil prices. Page 18

Andean Pact tariff agreed: The five countries of the Andean Pact have agreed to a common external tariff. 25 years after formation. Page 6

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Brussels bowed to lobbying to clear textile plant aid

By Guy de Jonquières and Jenny Luesby in London and Lionel

The European Commission overrode strong objections from its own officials earlier this month in approving a £61m (\$90m) UK government grant for a Belfast textiles plant to be built by a Taiwanese group, two of whose top managers have been charged in connection with an The £157m project, the largest industrial investment in Northern Ireland since the De Lorean car venture which collapsed with heavy losses in the early 1980s, has been backed by heavy lobbying in Brussels by British ministers, MPs and MEPs.

According to senior Commis-sion officials, one unnamed minister told Mr Karel van Miert, the competition commissioner in charge of vetting the project, that failure to approve it would have

political stronghold of the Ulster Unionist party by a Malaysian division of Hualon, a Taiwanese conglomerate. Last year, votes from Ulster unionist MPs enabled Mr John Major to keep the Maas-tricht treaty alive when a minority faction in his own Conserva-

tive party rebelled. Mr Oung You-ming, chairman of the division, jumped bail and moved to Malaysia in 1991 after being charged by Taiwanese

in a stock market scandal that led to the resignation of a Taiwanese cabinet minister.

Mr Oung Ta-ming, his brother. who heads the Hualon group, has been convicted on the same charges and sentenced to threeand-a-half years in jail. The sentence was reduced on appeal to two-and-a-half years. Mr Oung is appealing against his conviction before Taiwan's supreme court. Northern Ireland's Industrial Development Board, which hanand is due to sign a contract with Hualon on June 9, said it knew of the investigations into the Oung brothers and of their outcome. The IDB said it had not met or

talked to any Oung family member involved in the court cases. It said it had "a well-established procedure for assessing all rele-vant aspects of any project and its promoters".

Mr Clifford Forsythe, Ulster Unionist MP for South Antrim, where the plant will be built, and Mr Jim Nicolson, Northern

Ireland's Ulster Unionist MEP, said the IDB had never told them of the allegations surrounding Hualon and the Oung family.

"I was not aware of any of this . . . and I have never heard anyone mention it before." Mr Forsythe said yesterday. "In any of these situations you expect the government department responsible to look at the situation very

Continued on Page 16

Shake-up of Europe's labour market urged

By David Buchan in Mulhouse

Europe should reduce labour market regulation, link pay to productivity, and lower barriers to cheap imports in order to increase competitiveness and cut chronic unemployment, a Franco-

German study says.

The release of the report, pre-pared for the German and French governments in the run-up to their year-long "co-ordinated" presidency of the European Union, coincided with the first day of a two-day Franco-German summit in the French border town of Mulhouse.

The report was issued by the economics ministry in Bonn and was welcomed by Mr Gunter Rexrodt, Germany's economics minister, as showing a high degree of agreement between Germany and France on structural reform.

He described it as "a major contribution to joint initiatives to solving employment problems in Europe during the forthcoming German and French presidencies of the EU."

However, Mr Edmond Alphan dery, France's economics minister, appeared to distance himself from the report, saying it was provisional and did not commit

Germany takes the EU presidency in July for six months and will be followed by France. prompting the two countries to co-ordinate their agendas over

the next year. When Mr Jacques Delors, the European Commission president. attacked Mr Rexrodt in Brussels earlier this month for his labour deregulation ideas, France did not take sides. Yesterday, Mr Rexrodt appeared to want to give the impression that France had now lined up alongside with him.

Though commissioned by both governments at their Beaune summit a year ago, the joint study was headed on the German side by Professor Johann Eekoff. number two to Mr Rexrodt at the Bonn economics ministry, and, on the French side by Mr Roger



Chancellor Kohl (left) and President Mitterrand arrive for the 53rd Franco-German summit

Germany aims to privatise military support European election

Page 4 campaignPage 16

Fauroux, a former industry minister in the socialist government. în a separate communique, Mr Edmond Alphandery, French economics minister, and Mr Theo Waigel. German finance minister, hailed the prospect of low inflation and rising growth rates in their two countries, and said "the recovery ought to be accompan-

ied by measures favouring more flexibility in the labour market". The Franco-German report acknowledges the two countries

s. Germany's drawbacks are said to include high wage costs, short working hours and products too complex for customers needs. France suffers from too heavy a social security burden on companies that invest too little in

However, the study says both countries suffer from "far-reaching labour market regulation, insufficient training and retrain ing ... and lack of wage differentiation". It recommends:

research.

 Reducing regulation, "above all in services, and promoting new companies and technologies instead of subsidising outdated structures".

· Basing wages policy on productivity, introducing more flexible working hours and "reviewing rules governing dismissals".

east Europe as a potential benefit, rather than a threat, because

they "lower production costs". While most of the report's conclusions would seem more painful for France than Germany, the study would not be without consuequence for Germany which, it is noted, has even more inflexible working hour rules than France. own countries once again.

Italian right snubbed by EU minister

By David Gardner in Brussels

Neo-fascist ministers of Italy's new government coalition made their first appearance on the European political stage yester-day and found that hands were not extended in welcome.

The Belgian telecommunications minister, Mr Elio di Rupo, refused to shake hands with his Italian opposite number, Mr Giuseppe Tatarella.

Mr Tatarella is one of five Italian ministers from the right-wing National Alliance, and one of three from its neo-fascist core, the MSI, two of whom made their debut at the Council of Ministers in Brussels yesterday.

Mr di Rupo, a rising star in Belgium's socialist firmament, and whose Italian father came to Brussels after the second world war, broke all the club rules on welcoming newcomers to the EU Council, and underlined it by issuing a statement.

For the first time in the history of the European Community and Union, he said, the Council counted among its members the representatives of an "ideology that has been condemned for

Discomfiture about the neo-fascist presence is widespread. although few senior officials or ministers are prepared to discuss it. Officials from Germany, Spain, Greece, and Portugal in particular say that they fear it might make fascism respectable in their

First to arrive

Meanwhile, the European parliament's dominant socialist group has voted not to work with the Italian neo-fascists

Yesterday, the Danish Social Democrat telecommunications minister, Mr Helge Mortensen, admitted under questioning that he, too, had not seen fit to shake hands with Mr Tatarella, because 'I did not find it suitable'

Mr Tatarella was not unprepared for his reception. He observed to Mr di Rupio that it was Benito Mussolini's regime in Italy which had first abolished the handshake - in favour of the Roman-style fascist salute.

The current Greek presidency of the EU calmed the waters by issuing a bland declaration on democratic principles. Among the larger member states there was mostly silence yesterday.

But Mr Alain Juppe, the French foreign minister, said two weeks ago that the inclusion of neo-fascists in the new Italian government would require "vigi-

Mr Douglas Hurd, the UK's foreign secretary, said at the same time that his government "had no reservations about working with the Italian government". He said the government had

looked into the extreme-right ministers' "proposals", examined them "as individuals", and considered "the posts which they

"I'm sure there will be no difficulty in collaboration between Britain and Italy," Mr Hurd said.

Britain close to victory on opting out of labour law

By David Goodhart in London

The UK government is on the verge of winning an important policy reform from the European Commission over limiting the scope of European labour legislation in the case of the contracting-out of public ser-

The victory would come at a useful time for the UK government, just before the European elections, and would offer some evidence that the European Union is moving to accommodate the UK's deregulatory approach

on employment issues. The government has been lobbying in Brussels for several months to exclude contractingout from the European Acquired Rights Directive (1977) - known in the UK by the acronym Tupe which protects the jobs and con-ditions of employees when the and Italy, which are both focus-

on reform of the public More decisively, the German government has swung its weight behind reform of the directive after a recent ruling from the European Court of Justice,

involving a German insurance company, which said that a sin-gie woman cleaner should be covered by Tupe.

The belief among UK businesses that Tupe does apply to many cases of contracting out has impaired the government's

employee's pay and conditions should be transferred. However, the courts, most recently the Court of Appeni, have often sided with the trade unions, which have argued for the widest possi-

The UK government has been arguing that Tune should be amended to make clear that it applies only to whole economic undertakings, rather than to individual activities, such as cleaning or catering, within such

> Continued on Page 16 Editorial Comment, Page 15

undertaking they work for changes ownership. The UK government has faced public sector to contract out services to private companies, and it strong opposition from the social has reduced the expected savings and employment affairs director-ate general in Brussels and from to the exchequer. There has been much legal disthe European trade union movepute in the UK over what kind of ment. But it has won support business undertaking is covered from the covernments in France by Tupe and how much of an

ble application of Tupe.

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Brussels to reformulate social policy

By David Gardner in Brussels

The European Commission is looking for "a new balance between what is economically necessary and socially desirable" in formulating a social policy for the next decade, according to Mr Padraig Flynn, social affairs commissioner.

There is likely to be less Eurolegislation, and less focus on labour law, the main area of controversy between the UK and its partners and between employers and trade

The emphasis will be on "the quality, not the quantity of our leg-

labour conditions through higher productivity, the commissioner forecast, as Brussels finalises its preparation of a new White Paper on social policy for July.

"We are looking for new ways to reconcile the twin objectives of economic growth and social progress a new European model," Mr Flynn

Winding up a three-day seminar on Saturday in preparation for the White Paper, he rebuked those who saw competitiveness purely in terms of lower labour costs.
"We need to recognise that, yes,

for social progress, but also that the social environment is an integral part of the competitive formula," Mr Flynn said.

"The fixation of some with the labour cost side of the equation is one-dimensional," he added. "What counts is productivity, and the social environment...is a key factor in determining that."

He said he hoped that the Commission's revamped directive for elected works councils in large trans-European companies – opposed by the UK and criticised by Unice, the Euro-employers' lobby –

would be adopted by EU social affairs and labour ministers on June 22. The directive would not in theory affect companies in the UK, by virtue of Britain's opt-out from the Maastricht treaty's social chapter. But Mr Flynn nevertheless looked forward to a period of consolidation to follow the already flag-ging activist phase of EU social policy, to cover the jobless as well as

those in work. The top priority would be job creation, and Mr Flynn called for the pursuit of higher labour standards through a new commitment by both

But he underlined that the European Union remained committed to a level playing field of agreed minimum standards" for workers, as the corollary to the Single Market and fair competition within it.

Attempts by the UK to dilute that would be resisted, he warned. "If we cannot progress as 12, then we will be obliged to progress as 11 rather than stand still or move backwards." he said, citing as an example the works council directive -

Employers protest at EU subsidies for trade unions

By Lionel Barber in Brussels

In a move which points to a growing divergence between business and organised labour. Unice, the European employers' federation, has called into question the principle of subsidising the European trade union movement through the EU budget.

Mr Zgymunt Tyszkiewicz, Unice secretary general, raised the issue of union funding during a weekend speech in which he also called for a shake-up of the European Commission to correct alleged pro-union bias in preparing EU legislation.
He told a Brussels conference on

the future of European social policy on Saturday that business was concerned about the level of subsidies for trade union activities, much of which was earmarked by a sympathetic European Parliament. "Employers don't believe that bal-anced support exists," he said.

Unice has identified Ecu26.49m (\$30.6m) in direct subsidies for the European trade union confederation (Etuc) and closely related bodies in the 1994 EU budget. Though the money represents only a fraction of the annual Ecu70bn budget, Unice is pressing for greater transparency

in the allocation and use of funds The employers' federation is focusing on the Ecui7m set aside for unions ahead of the Brussels directive on works councils expected to pass into law this year. The money is to help trade unions to put in place new systems of information and consultation at company level.

Etuc officials dismissed the Unice criticism as unwarranted, noting that large European companies get far bigger subsidies through fund-ing of research and development and other areas of the EU budget. Unice's challenge marks a new line of attack in its campaign against the works council directive, which it regards as unnecessary Brussels-led interference in the management of individual companies, threatening to set back efforts to improve competitiveness.

The directive requires companies to comply with minimum requirements on consultation with elected works councils, but only if the companies fail to agree a voluntary pact sought by 100 employees or their representatives in at least two mem-ber states. It is expected to pass into law later this year under the Ger-

Telecoms ministers in deregulation talks

By Emma Tucker in Brussels

Europe's domestic telephone users could soon have access to an alternative universal telephone service if ambitious European Commission proposals to liberalise mobile telecommunications and cable infrastructure networks succeed.

The plans amount to the creeping deregulation of voice telephony for households well ahead of 1998, the date set by the EU for the break-up of monopoly control over the continent's public telephone services.

By David Lane in Rome

The Italian government headed

by Mr Silvio Berlusconi is

expected to approve a package

of tax measures at the end of

this week. Tax exemption of

reinvested profits and fiscal incentives to encourage new

car purchases, along the lines

adopted in France, are among

measures being considered

During the campaign for the

elections at the end of March,

Mr Berlusconi promised to

tackie the problem of unem-

ployment and create a million

new jobs. This week's tax pack-

age will reinforce decrees

issued last Friday that seek to

Italy's construction industry.

badly affected by the recession

and the effects of the tangento-

poli (kickback city) corruption scandal, may be helped by a

decree that suspends the Mer

loni Law until the end of this

The Merloni Law, which came into force at the begin-

ning of March, establishes a

new and transparent frame-

work for awarding and over-

The new government believes the law has put a

brake on public works, and

intends to introduce modifica-

tions. Meanwhile, it hopes the

law's suspension will have a

rapid impact on activity and

employment in the construc-

tion sector, with around

L60,000bn (\$38bn) of contracts

A second decree eases regu-

lations covering the hiring of

staff. Only businesses with

payrolls of less than three had

all others being required to

n allowed to hire directly,

being given the go-ahead.

seeing public works contracts.

boost employment.

stimulate the economy.

These and other issues will be discussed at a meeting of telecoms

Italian tax plan

aimed at cutting

unemployment

ministers in Brussels today, amid growing impatience from Europe's leading electronics companies that liberalisation is not proceeding quickly enough

Last month the commission published a green paper on mobile com-munications intended to open the development of the mobile sector towards the personal communications mass market.

Europe has only about 8m subscribers to mobile cellular telephones, but this figure could rise sharply if the opening up of the mobiles sector is accompanied by liberalisation of other telecommuni-

obtain staff through state

employment exchanges. Now

businesses with up to 15 work-

ers may hire directly, though

this relaxation does not apply

Mr Rerlusconi's government

has said it wants to reduce

rigidity in the labour market

and thereby encourage the cre-

ation of new jobs. It is expected

follow Friday's decree by

introducing measures covering

part-time and fixed term con-

larly high among young Ital-

ians, and Mr Berlusconi's gov-

ernment seeks to reduce it by

stimulating the establishment

of businesses by young people.

A decree allocates L500bn for

incentives, L100bn this year

and L200bn in each of the next

two years. The incentives will

be available in depressed areas

The body managing this pro-

gramme will be transformed into a joint stock corporation

whose scope will be the provision of services to small and

medium enterprises. It will have share capital of L10bn,

held by the Treasury, and take

the equity of businesses.

stakes of up to 10 per cent in

The package announced on

Friday includes a decree to

release funds to businesses in

southern Italy that have been

waiting for payment of

regional development grants

already approved. Although

about 1.2.000bn will be released

to about 2,700 businesses, a fur-

ther 13,500 businesses will still be waiting for payment.

relaxed reserve requirements.

reducing the marginal rate of

obligatory reserve from 17.5 to

15 per cent from mid-July.

The Bank of Italy on Friday

throughout the country.

Unemployment is particu-

to farming.

cations infrastructures, such as cable TV networks. In a deregulated market there would be nothing to stop mobile and cable operators joining forces to offer - particularly in highly cabled countries such as Belgium, Germany and the Netherlands - an

alternative to the existing universal

domestic telephone service.

Although senior commission officials privately acknowledge that telecommunications markets are overtaking the agreed EU timetable for dismantling barriers in European telecoms markets, they are not prepared to expend the political

dismantle the 1998 deadline. But in a report to be presented to telecoms minsters at today's council meeting, heads of Europe's leading electronics companies are expected to argue that the EU should set precise targets for speeding liberal-

Mr Karel Van Miert, competition commissioner, has publicly thrown his weight behind a full and speedy liberalisation of Europe's cable television infrastructure. However, his plans may be scuppered by those member states wary of the political impact of early deregulation

The companies behind the report Siemens, ICL, Philips Electronics, IBM Europe and Cie des Machines Bull – are part of an EU advisory group on information highways. They have been charged with proposing a strategy for developing pan-European computer and telemmunications networks as part of the EU's broader effort to boost

economic growth. The report is likely to intensify debate before the summit in Corfu next month, when Mr Martin Bangemann, industry commissioner, is due to present it to heads

Germany and France plan to co-ordinate EU presidencies

France will meet today to move their traditional European partnership into even higher gear to co-ordinate their successive presidencies of the European Union over the next

At their two-day meeting in the border town of Mulhouse. Chancellor Helmut Kohl of Germany and President Mitterrand and Prime Minister Edouard Balladur of France will plan their joint approach to next month's EU summit in Corfu and to Germany's presidency in the second half of this year and France's in the fol-

Mr Kohl and Mr Mitterrand were reported over the weekend by the Süddeutsche Zeitung newspaper to have already decided that at Corfu they will back Mr Jean-Luc Dehaene, the Belgian prime minister, to succeed Mr Jacques Delors as European Commission president.

In Paris an official would

Leaders of Germany and Quentin Peel and David Buchan on today's meeting in Mulhouse only comment that "from our for French initiatives towards

praise of Belgium's performance in the presidency" in the second half of last year "you can see where our heart lies". In Bonn, rumours that the Delors succession might be deliberately kept open for Mr Kohl to fill if he lost his October election were discounted, partly because this would leave the European Parliament insufficient time to use its Maastricht rights to endorse the new commissioners.

According to the Elyse spokesman, the two countries are to set up a high-level working party to ensure "perfect co-ordination" of EU business between July 1 this year and June 30 next year. Among other things, this will involve: • France falling in with Germany's desire for the EU to open more to the east, in return for Germany's backing North Africa, and particularly Algeria, whose official debt is expected to be rescheduled in Paris next week. Germany would like Presi-

dents Boris Yeltsin and Leonid Kravchuk to come to Corfu to sign EU co-operation treaties with Russia and Ukraine. a wish that French complaints about Russia "dumping" enriched uranium looked like thwarting. But Mr Alain Juppé, French foreign minissia to get a restraint agreement that still needs endorsement by his EU partners. France and Germany have also been negotiating with Mr Kravchuk a plan for western aid to stop further work, and radiation leaks, at Chernobyl nuclear plant and to fund completion of less dangerous reactors.

An attempted compromise

issues. Both governments seem agreed that the eastward expansion of high-speed rail should figure in the list of EUbacked infrastructure projects being prepared for Corfu, though Germany remains more sceptical than France of the Commission "behaving like a bank" in financing these. In advance of the G7 summit in July, France wants German support for the new World Trade Organisation to debate minimum labour standards. • Improvements to the EU post-Maastricht. To France, this chiefly means better forpossibly a Western European Union arms agency; progress on an initial, bilateral Franco-German weapons procurement agency will be reviewed at Mulhouse. Germany, currently president of the Schengen

on economic growth and trade

Fighting flares in Bosnia

Serb and Bosnian government forces at the weekend fought

Despite ongoing clashes, Lord Owen, EU negotiator, said: 'I think there's a fairly

But he appeared uncertain as to whether the warring factions would endorse a settlement on Bosnia's partition. International mediators last week put forward a revised

proposals for a 49-51 ratio.

Bosnian government tears, Mr Karadzic said: "It is now certain that we have a state, we just must take care for it to be as big as possible."

Meanwhile, both sides claimed civilian losses in fighting in the strategic Sava River valley, northern Bosnia, Serb forces had appeared to regain strategic high ground near

organisation to reduce border controls, is keener on faster progress on common immigration and crime policies. CORRECTION Astra and

Under the terms of the

version of a settlement that "Maybe we could accept 49 per would give the new Moslem-Croat federation 51 per cent of Sarajevo," he said yesterday. Takeda Bosnia and the Bosnian Serbs reported Vecernje Novosti, the settlement

for control of strategic supply routes, as the UN said a new round of talks aimed at brokering a ceasefire would convene this week, writes Laura Silber in Belgrade.

good chance of getting a ceasefire in the next few weeks."

49 per cent. Mr Radovan Karadzic, Bos-

nian Serb leader, said he would rejoin peace talks, making clear that his side will back a ceasefire, but stop short of a political settlement. The Bosnian government

fears a ceasefire would cement Serb gains, about 70 per cent of Bosnian territory. Mr Karadzic said Serbs were ready to sacrifice land if sanctions are lifted but remain far from accepting Belgrade daily.
In remarks likely to raise

settlement between Astra, the Swedish pharmaceutical group. and the Japanese group, Tak-eda, Astra will receive unspecified consideration for Takeda's future sales of products containing lansoprazole and not the generic version of Losec (Astra's best-selling anti-ulcer drug) as stated in a May 27 story headed "Astra-Takeda Tuzla, the Bosnian stronghold in the northeast. patent row settled".

French business leaders rally round imprisoned Schneider chairman

By John Ridding in Paris

French business leaders yesterday rallied behind Mr Didier Pineau-Valencienne, chairman of Groupe Schneider, the French electrical engineering group, imprisoned in

Brussels since Friday on charges of fraud. The arrest of the Schneider chairman also prompted high-level exchanges between the French and Belgian governments, although both sides

television reports that Mr the French Sunday paper, 35 Edouard Balladur, the French prominent French businessprime minister, had telephoned Mr Jean-Luc Dehaene, his Belgian counterpart, concerning the issue. In an advertisement placed

in the Journal du Dimanche,

Enrope, falls on June 6.

men pledged their support for Mr Pineau-Valencienne, testifying to his "moral rigour, ethics and competence".

In Brussels, however, there seemed little sign of an early

release for the Schneider ment, falsification of annual chairman. The Belgian Justice Ministry said it would respect the decision of the investigating judge, Mr Jean-Claude Van Espen, who detained Mr Pineau-Valencienne on

accounts and abuse of confi-Under Belgian law. Mr Pineau-Valencienne must remain in prison until the judge decides whether the

His court appearance has been set for Wednesday. Pinean-Valencienne relate to a complaint by minority shareholders in two Belgian Schnei-

The charges against Mr der subsidiaries - Cofimines Schneider's 1992 bid to buy them out had undervalued their shares. An agreement between the minority shareholders and Schneider was reached earlier this year after the French group raised its offer price, but an investiga-tion by the Belgian authorities into the management of the two subsidiaries, which was launched last September, has continued.

Tough manager finds himself behind Belgian bars When Mr Didier Pineau. Brussels is sensitive, and Paris is dismayed, reports John Ridding

France's Groupe Schneider, was asked last year about the protracted dispute between his electrical engineering group and minority shareholders in two financial subsidiaries in Belgium, he dismissed the prospect of trouble. "There should not be any unpleasant surprises," he told Les Echos, the

financial dally. After a weekend in Forest prison in Brussels, however, Mr Pineau-Valencienne may be reflecting on those words. Having travelled to Belgium last Thursday to make a statement concerning an investigation triggered by complaints filed by minority shareholders in Cofibel and Cofimines, the two subsidiaries, Mr Pineau-Valencienne found himself charged with fraud and detained in

The event has prompted shock and dismay in France. "We are deeply angered," said Schneider, which rejected the charges of forgery, use of fraudulent documents, embezzlement and breach of accounting laws.

The company said that Mr Pineau-Valencienne had travelled voluntarily to Brussels and had requested a hearing concerning the investiga-

tion by Belgian magistrates. A group of leading French indus-trialists, including Mr Bertrand Collomb, chairman of Lafarge Coppee, and Mr Jean Gandois, head of Pechiney, placed an advertisement in the Journal du Dimanche yesterday pledging support for the Schneider chairman, while the French ambassador to Brussels, who visited Mr Pineau-Valencienne in prison, said that concern about the events had

been expressed at the highest level. The reaction in France is partly a reflection of the importance of the group, one of France's 25 biggest companies with annual sales of about FFr56bn (\$9.8bn). It also reflects the prominence of Mr Pineau-Valencienne, who has forced his way to the top ranks of French industry and has been tipped as a possible successor to Mr François Perigot, the head of the Patronat, man of the year by Nouvel Econothe French employers' federation. His journey to the top has not been smooth. Since taking the reins at Schneider in 1981, Mr Pineau-Valencienne has gained a reputation

A man looks at a grave marker in a military cemetery near the

D-Day invasion site of Omaha Beach in Normandy. The 50th

anniversary of D-Day, when allied troops invaded continental

as a tough and ambitious manager, and was often at the centre of controversy. Landmarks include the liquidation in 1984 of Creusot-Loire, the group's steelmaking subsidiary, following a test of strength with the Socialist government of the time. from which Mr Pineau-Valencienne was demanding a rescue package.

n 1991, Mr Pineau-Valencienne switched his focus to the US, where he launched a hostile bid for Square D. the electrical equipment group. The \$2,23bn (£1.5bn) bid was the largest launched by a French company in the US. Mr. Pineau-Valencienne's ultimate success in the offer, after a protracted legal battle, won him the respect of his peers. He was named businessmiste, the French business maga-

The result of his efforts has been the reshaping of the disparate industrial conglomerate he inherited into one of Europe's largest electrical engineering groups. Sales have increased from FFr40bn in the year of his arrival to FFr56bn last year. Profits have also been improving, rising by 33 per cent last year to FFr405m.

It is Mr Pineau-Valencienne's strategy of reorganising the group. however, which lies behind his present plight. In November 1992, Schneider launched an offer to buy out minority shareholders in Cofibel and Cofimines, two financial subsidiaries in Belgium, as part of its reor-ganisation. "The structure of the company in Belgium was an unimagineable imbroglio." said the Schneider chairman.

Minority shareholders in the two subsidiarles protested against the terms of the offer. In April last year, they filed a complaint with the Belgian legal authorities, claiming that the offer undervalued their shares. They also accused Schneider of mismanagement of its Belgian subsidiaries, criticising the entry of a Swiss-registered company called Fimo into the capital of PB Finance, in which Colibel had a stake. Reports in the Belgian press claimed that PB Finance through the Swiss company was involved in money laundering, an allegation firmly denied by Schneider,

After a protracted dispute, Schneider increased its offer, and an agreement was reached with minority shareholders at the end of last year. Last September, however, in response to the complaints filed by minority shareholders, Belgian investigating magistrates opened the investigation which resulted in Fri-

day's charges. Industry observers said the case also reflected Belgian sensitivity

about the power of neighbouring French industry, particularly with respect to minority shareholders. "There is a fear of economic imperialism," said one analyst in Paris. He said such fears had been demonstrated in previous cases, citing the 1992 ruling by a Belgian appeal court that Accor, the French hotels group, should increase its offer for Wagons-Lits, the Franco-Belgian travel group, following a claim by Belgian investors.

Schneider, however, stressed that the agreement had already been reached concerning the price. "It is a paradox that this should happen now, after we have resolved the dispute," said Schneider. It said that attempts were being made to secure the release of Mr Pineau-Valen-clenne before Wednesday's hearing and that the Belgian authorities had not clarified the reasons behind

their charges. What is already clear, however, is that what started as a squabble with minority shareholders has become a great deal more troubling for Mr

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DENMARK Financial Times (Sundinavia) Ltd. Vicand-skafted 42A, DK-1161 Copenhagen K. Tele-phone 33 13 44 41, Fax 33 93 53 35. By Our Foreign Staff

Erich Honecker, who personified the intransigence of communism during the 1980s, died yesterday of cancer in the Chilean capital, Santiago, his home since January

1993. He was 81. The former East German leader, who started life as a roofer and spent years in prison as an opponent of Nazi Germany, left for exile after the collapse of his trial in which he was charged with responsibility for the death of with West Germany. His orders for border guards to shoot at escapees, which resulted in 190 deaths, had led to a warrant for his arrest in November 1990 after German unification.

German television brought almost hourly updates during the court case and even boarded the aircraft that took him to Santiago after judges in Berlin ruled he was too ill with liver cancer to stand trial.

By then pale and wizened, fascination with the man, seen by many as the East German Politburo member responsible for the building of the Berlin Wall, only faded after he had retired to his daughter's house halfway around the globe.

He was born a miner's son in the Saarland, Germany's southwestern state. Both his parents were members of the Communist party and the young Honecker distributed party pamphlets at the age of eight and joined the Young Spartacus Union, a children's communist organisation, aged

He went on to join the Communist party in 1929, studied in Moscow, and worked under various aliases to expand the

party in Germany. In 1935 he was arrested by the Gestapo charged with high treason and sentenced to 10

years in prison. It was Walter Ulbricht. East



Honecker studies files before his 1992 trial for manslaughter of would-be escapees of his communist regime

seen in retrospect by many

East Germans as the country's

most prosperous. With prompt-

ing from Moscow, relations

between the two Germanies

were allowed to improve as

Social Democratic chancellor,

sought to improve ties between

Bonn and Berlin. In this

respect Honecker played a cru-

Western politicians and busi-

nessmen beat a path to his

door. A Sunday afternoon

meeting in 1973 over cakes and

coffee with the late Herbert

Wehner, Social Democratic

whip in the Bonn parliament, led to a series of high-level

meetings with West German

This two-track policy of

Willy Brandt, West Germany's

Honecker into the central committee after the second world war. He earned Ulbricht's trust as leader of the Free German Youth (FDJ), the party's youth wing, during a campaign led by Honecker to destroy all television aerials which were being used to receive West Ger-

Long Ulbricht's "crown prince," he was given responsibility in the ruling politburo for military and state security. The top job fell to him in May 1971 after Ulbricht resisted Moscow's efforts to reach an accord with West Germany. Few East Germans expected much from the stern-faced

Honecker who had a reputation for orthodoxy and was a notoriously bad speaker. However the early Honecker strict domestic delimitation years, until about 1975, were

courting the West German political and financial élite was crowned by the visit to East Germany in December 1981 by Mr Helmut Schmidt, then West German Chancellor. But Honecker was pulled between the West German need for detente and the Soviet

need for legitimising a separate East German national state. Honecker's desperately poor childhood coloured his outlook on life. On inspection tours of cramped new East German housing estates he would remark that workers under the Kaiser could never have

dreamed of such superb living

He failed to realise that East German workers did not com-pare their lot with that of their West German workers whose flats were larger and equipped with more modern appliances. Throughout the mid-1980s Honecker had longed to crown

his political career with a visit to Bonn. Yet, in 1983 and 1984, as Moscow moved from one geriatric Communist party leader

to another, he was prevented from visiting West Germany and it was only under the then Soviet leader Mikhail Gorbachev that he was at last allowed to do so. However, Honecker, increasingly divorced from the reforms which were taking

place in the former Soviet Union and Mr Gorbachev's refusal to intervene to protect the Communist parties of Eastern Europe against popular uprisings, in the end found himself up against the very Wall which was supposed to protect East Germany.

Towards the end of 1989 the

people of Leipzig and of East Berlin themselves demonstrated against the Wall and eventually breached it on the night of November 8. Honecker had failed to sense the shifting nature of power in Moscow and in the West. Moscow had from West Germany while dropped him.

By Bruce Clark, Defence Correspondent, in Berlin

Germany has rejected a Russian offer to discharge more than a billion dollars' worth of debt in the form of 100 of its most advanced MiG fighter aircraft, according to German government officials.

The proposal was made by General Pavel Grachev, the Russian defence minister, to Mr Jörg Schöbohm, state secretary for defence, during the recent visit to Germany of President Boris Yeltsin.

The offer, whose acceptance

would have implied a huge both political and technical grounds, the officials said. procuring the four-nation

east German forces, and a

change in Germany's strategic orientation, was rejected on They said the German Air Force remained committed to

Eurofighter 2000, although

Cdn. \$4,441,000 Cdn. \$2,904,000 SFR 100,000,000 Cdn. \$60,000,000

SFR 100,000,000 ECU 56,000,000

Cdn. \$75,000,000 SFR 100,000,000

Cdn. \$125,000,000

SFR 150,000,000 U.S. \$60,000,000

its price was higher and it has aroused political controversy.

The opposition Social Democrats have threatened to withdraw from the project, which also involves Britain, Spain and Italy, if they win the Cerman elections this autumn United Germany has inherited 30 MiG fighters from the

> report by the National Audit Office last autumn, leaked in part to the press, suggested that further purchases of the Russian aircraft would be a better option than procuring Eurotighter. However, a decision to make

MiGs the linchpin of the air force could leave Germany dependent on Russian spare and after-sales parts and after-sales service - both of which are alleged by Western experts to be unreliable - and call in

question Germany's commit- Russia would be prepared to ment to its western allies. Other drawbacks with the

MiGs included: the need for a massive internal reorganisation of the air force; the Russian aircraft's incompatibility with western air traffic control edures; and the frequency with which they require servic-

MiG engines are designed to fly for about 600 hours between overhauls, compared with up aircraft. This reflects the fact that the

cost of engineers' pay was never an important factor for Soviet military planners. The German officials insisted

that discussions between Mr Schöbohm and Gen Grachev did not get as far as negotia-

Reports in the specialist press have speculated that

sell its MiGs for as little as DM20m (28m) apiece, compared with a basic price for the Eurofighter of three to five times

This would imply that the proposed MiG deal would have been worth DM2bn, only a frac-tion of the DM20bn which Germany is owed by Russia.

A government official said: "The deal looked cheap, but it would still have required the air force to transfer funds to the economics ministry or any other government agencies Russia. The air force does not have the necessary resources at the moment."

The air force says the need to renew its air-to-air defence capacity will not arise until the year 2002, when its fleet of US-built F-4s will become obsolete.

esidencies

Germany's first Communist party leader, who brought

INTERNATIONAL PRESS REVIEW Russia, Ukraine in war of words

By John Lloyd, Jill Barshay and Leyla Boulton

Far from cheering on nashi (our side) Russia's newspapers, like its people, have been categorical in blaming "politicians" for the past week's stand-off between Ukraine and its Russian-dominated peninsula of Crimea.

'Politicians are doing everything so that holidaymakers sumbathe on barricades," said the liberal daily Izvestia, just as Kiev, Moscow, and Crimea, traditionally Russia's summer holiday playground, swapped threats over the Crimean parliament's decision to restore a

settleme

The official military newspa per, Krasnaya Zvezda (Red Star), called for peace with a front page story headlined: Will the Politicians Stop at the Danger Zone?" Admittedly. most of the criticism was aimed at politicians in Ukraine, with many commentators noting the influence of

elections a month away. Despite popular resentment at Mr Nikita Khrushchev's decision to donate Crimea to Ukraine in 1954, Russia's papers refused to give Yuri Meshkov, the maverick Crimean leader who wants reunification with Russia, total supmining its livelihood by scar-

ing away Russian tourists. The mass-circulation weekly Argumenty i Fakty argued that the former KGB and Red Army, with the collapse of the former Soviet Union, had their own reasons for wanting the crisis to degenerate into war.

"Many officers still think of themselves as belonging to a single, although temporarily divided, system. They hope that a war in the Crimea will push Ukraine towards a gradual restoration of common statehood with Russia and that other ex-Soviet republics will

former Communist youth daily, took a more lighthearted approach. Noting the way the dollar exchange rate in Crimea soared and then fell in a matter of days, it said the whole crisis had simply made currency speculators rich. It also speculated that the only reason Kiev had not deployed more armoured vehicles was that most of the equipment inherited from the Red Army

Most regional and local newspapers in the former

КРЫМ: ЗАТЯЖНОЙ ПРЫЖОК

From Riev's leading newspaper, Kievskiye Vedomosti: Ukraine's peace-offering Kravchuk, left,

brepares to cauch Crimea's Meshkov, portrayed as a paractuting Napoleon pupper (Meshkov's

lear-invisible finger of support to the Crimean

sport is sky diving), with a fishing net. Yeltsin, menacing Kalashnikov in one hand, is offering a

port. According to Izvestia, he the confidence to comment absent coverage. It attacked was to be held responsible for forcefully on events: the over- Russia's Ostankino Television crying wolf on troop move- whelming majority print gov- for highlighting false rumours ments in Crimea, and under- ernment statements and versions of events unedited and unglossed. The Crimean press

follows this tradition closely. A typical edition of the main daily Krymsicie Izvestiya (Crimean News) - published by the Crimean supreme soviet - has press releases and regulations on the front page, with bland features on the other three.

Last Wednesday's edition had as its main story a transcription of the press conference given by Mr Sergei Tsekov. the supreme soviet chairman - under the headline: "We are working without fuss" - which, as a response to follow suit," the paper said. With typical cheekiness, a region accused by the Tkrainian government of unlawful secession and provoking civil Komsomolskaya Pravda. the

war, appears to lack urgency. Ukraine's press, still largely under state control. devoted much space to reprinting presidential decrees on asserting authority over Crimea's militia, and parliamentary resolutions giving Crimea 10 days to change its mind and rescind its "illegal" constitution. As usual, the news was two

days old at the time of printing. The singular anti-establishment paper, Nezavisimost, led a crusade condemning Rushad fallen into disrepair. sian and Ukrainian television Soviet Union have yet to find

The paper charged Ostanking with "artistically editing" an interview with Mr Vitaly Radetsky, the Ukrainian defence minister, which "gave the impression that poor little Crimes is choking in the grips of the Ukrainian monster. However, the outspoken paper lambasted Ukrainian Television for burying the story as an "insignificant matter, instead of providing full explanation and commentary.

In Nezavisimost's opinion column, a Ukrainian MP lamented that Crimean negotiations in Klev last Wednesday ended without a concrete resolution confirming Crimea's status as part of Ukraine. Crimea's apparent reason for not agreeing was that their parliamentary delegation "lacked authority," wrote Mr Yuri Karmazin, a likrainian MP

The mainstream press' condemnation of Russia's widelyperceived role in stirring up troubles in Crimea was more subtle. Kiev's leading newspa-per, Kievskiye Vedomosti, displayed two carefully chosen quotes side by side. It quoted Mr Warren Christopher, US secretary of state, noting that the US "recognises and highly values the responsible and peaceful position of Ukraine." The paper then had a Russian MP, Mr Konstantin Zatulin, saying that "the tension around Crimea is connected not with the peninsula's politics, but with who'll be presi-dent of Ukraine."

In a separate story, Kievskiye Vedomosti drew an alarming parallel between Crimea's developments and the 1992 bloody civil war which took nlace between Moldova and its Slavic-oriented, separatist region of Transducister. It noted that that "Tiraspol (Trans dneister's capital) also began with establishing its own power ministries." But this titbit was buried in the last para-

graph of page 13.

For all the grim warnings in the Russian and Ukrainian press, more amusing than anything else this week, however was President Boris Yeltsin's reported response to a barrage of criticism from his Ukrainian counterpart, Mr Leonid Krav-

Projecting his new-found image as father of the nation, Mr Yeltsin told Russians that despite all the fuss, it would be perfectly safe to go on holiday to the Crimea this summer

NOTICE OF MEETING OF DEBENTUREHOLDERS

TRIZEC CORPORATION LTD.

NOTICE OF MEETING OF HOLDERS OF THE FOLLOWING SECURITIES ISSUED BY TRIZEC CORPORATION LTD.

Senior Debentures to mature November 15, 1993: Senior Debentures to mature June 1, 1998; Bonds 1983-1993: Senior Debentures to mature March 15, 1995; 5-4% Bonds 1985-1995; 94% Senior Debentures to mature September 13, 1995; Senior Debentures to mature October 1, 1996;

Bonds 1987-1999; Senior Debentures Due June 22, 1999 and Senior Debentures Due June 22, 2009; Senior Debentures to mature 1997; Senior Debentures to mature 1995: Floating Rate Notes to mature 1995; and

11.125% Senior Debentures Due June 18, 1996; (collectively, the "Debentures")

NOTICE IS HEREBY GIVEN that, pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") dated May 10th, 1994, as amended by a further order of the Court dated May 25, 1994 (the "Interim Order"), a meeting (the "Debentureholders Meeting") of the holders of the Debentures (the "Debentureholders") of Trizce Corporation Ltd. (the "Company") will be held in the Bankers Hall Auditorium, 315 - 8th Avenue S.W., P-3 Level, Calgary, Alberta, Canada on the 28th day of June, 1994 at the hour of 10:00 o'clock a.m. (Calgary time), for the following purpos

1. to consider, pursuant to the Interim Order, and if deemed advisable, to pass a resolution (the "Resolution") to approve an arrangement (the "Plan of Arrangement") pursuant to section 192 of the Canada Business Corporations Act, the full text of which Resolution is set out in Appendix "E" to the Management Proxy Circular mailed or otherwise made available to

to transact such other business as may properly be brought before the Debentureholders Meeting or any adjournment thereof. At the Debentureholders Meeting, each holder of Debentures will have one vote for each Cdn. \$1,000 principal amount of such Debentures held (the principal amount of Debentures payable in other currencies for such purposes to be converted using exchange rates prevailing as of April 25, 1994, being U.S. Dollars 1.3813, ECU 1.5859 and SFR .9646 as specified in the Interim Order).

The Court has set the quorum for the Debentureholders Meeting as two or more persons entitled to vote in person or by proxy holding in the aggregate at least a majority of the outstanding principal amount of the Debentures determined in Canadian dollars as provided

The record date for entitlement to notice of the Debentureholders Meeting is the close of business on May 11, 1994. The record date for entitlement to vote at the Debentureholders Meeting has been established as 10 days prior (excluding the date of the Debentureholders Meeting) to the date of the Debentureholders Meeting and only those Debentureholders who (i) as registered Debentureholders are entered on the applicable register of Debentures or (ii) as holders of unregistered Debentures, have complied with the deposit procedures referred to below, are entitled to vote in person or by proxy.

Holders of Debentures in unregistered or bearer form desiring to attend and vote in person or by proxy at the Debentureholders Meeting or any adjournment thereof, without producing such Debentures, may deposit same with a custodian listed below and will receive in exchange a Voting Certificate(s) which will entitle the holder named therein to be present and vote on behalf of the holder at the Debentureholders Meeting and at any adjournments thereof or to appoint a proxyholder to represent and vote on behalf of the Debentureholder at the Debentureholders Meeting and any adjournment thereof. Debentures so deposited will be held on deposit until after the Debentureholders Meeting and any adjournment thereof and will only then be returned to the depositor on presentation of the receipt

A Debentureholder may attend the Debentureholders Meeting in person or may appoint another person as proxyholder. To appoint a person to attend as proxyholder, a Debentureholder must deposit with the Company, c/o Montreal Trust Company of Canada (the "Trustee") at the address specified below, an instrument appointing the proxyholder, signed by the Debentureholder or an attorney of the Debentureholder, prior to 5:00 p.m. (Calgary time) on the second day (Saturdays, Sundays and holidays in Calgary excluded) preceding the date of the Debentureholders Meeting or any adjournment thereof or with the Chair of the Debentureholders Meeting prior to the The forms of oraxy, which accommunied the Management Proxy Circular, name Kevin E. Benson and Willard J. L'Heureux, each a

director and officer of the Company, as proxy nominees. Debentureholders may appoint another person as proxyholder by inserting the name of such person in the space provided in such form of proxy or by completing another valid form of proxy. Persons appointed as proxyholders need not be Debentureholders. Debentureholders may not appoint Montreal Trust Company of Canada, the trustee for the The vote required to pass the Resolution is, subject to further order of the Court, the affirmative vote of not less than two-thirds of the

votes cast by the Debentureholders, voting as a single class, in respect of the Resolution. The Plan of Arrangement is subject to the approval of the Court. The matter is scheduled to be heard before Mr. Justice G.R. Forsyth at The Court House, 611 — 4th Street S.W., Calgary, Alberta, Canada at 10:00 a.m. (Calgary Time) on July 6, 1994. Additional details concerning such hearing are set forth in the Manageme

If Debentureholders have any questions about the procedures to be followed to qualify to vote at the Debentureholders Meeting or about obtaining, completing and depositing proxies and voting certificates, they should contact Montreal Trust Company of Canada at

DATED at Calgary, Alberta, this 27th day of May, 1994.

By Order of the Board of Directors,

(Signed) KAREN E. JACKSON Senior Vice President, General Counsel

Montreal Trust Company of Canada

Attention: Corporate Trust Department

151 Front Street West

Canada M51 2N1

Cedel S.A. 67 Boulevard Grand Duchesse Charlotte

Debentureholders who are unable to attend the Debentureholders Meeting in person are requested to date and sign the applicable form of proxy which accompanied the Management Proxy Circular and either deliver or mail it in the envelope provided to Trizec Corporation Ltd. c/o Montreal Trust Company of Canada, 411—8th Avenue S.W., Caigary, Alberta, Canada, T2P 1E7, prior to 5:00 p.m. (Caigary time) on the second day (Saturdays, Sundays and holidays in Caigary excluded) preceding the date of the Debentureholders Meeting or any adjournment thereof or deposit same with the Chair of the Debentureholders Meeting prior to the commencement thereof. The time limits for depositing proxies prior to the Debentureholders Meeting may be waived by the Company in

Copies of this Notice and the Management Proxy Circular containing the Resolution and suitable forms of proxy are being or have been mailed by first class prepaid mail to all holders of fully registered Debentures and Debentures registered as to principal only. Additional copies of such documents and instructions and forms of voting certificates and proxies for the purpose of enabling the holders of unregistered Debentures to be present and vote at the Debentureholders Meeting in person or by proxy may be obtained from the following custodians in respect of the series of unregistered Debentures indicated:

Attention: Corporate Trust Department

Canada V6C 3B9

(a) For all series of Debentures in unregistered or bearer forus:

Calgary, Alberta

Canada T2P IE7 Attention: Corporate Trust Department Montreal Trust Company of Canada Place Montreal Trus

Canada H3A 3K9

Calgary, Alberta. Canada T2P 2P2

SFR 100,000,000 544% Bonds 1985-1995 SFR 100,000,000 Swiss Bank Corporation

CH-8010 Zurich

(c) For ECU 56,000,000 94% Senior Debentures to mature September 13, 1995:

Montreal Trust Company of Canada 411 — 8th Avenue S.W. Montreal Trust Company of Canada 510 Burnard Street

1800, avenue McGill College

Attention: Corporate Trust Department Canadian Imperial Bank of Commerce 309 - 8th Avenue S.W.

(b) For SFR 100,000,000 6%% Bonds 1983-1993

Société Générale Alsacienne de Banque lő ayonus Émils L-2420 Luxembourg

By Jurek Martin in Washington

President Bill Clinton has denied that he plans imminent changes to his much criticised foreign policy team.

In a weekend interview with the Los Angeles Times, Mr Clinton conceded he had problems communicating his foreign policy goals to the public at large. But that deficiency, he said, should not be laid at the door of either Mr Warren Christopher, secretary of state, or Mr Anthony Lake, the national security adviser.

The president said he had talked to "a huge number of people" about foreign policy in recent weeks, mostly because it had been subject to what he called "relentless criticism."

He could well imagine that an ular variations have had both

he was planning to reshuffle his team but he suggested that his secretary of state, in particular, was involved in delicate and indispensable negotiations in the Middle East and over

Mr Clinton's decision last week to renew China's most favoured nation trading status without reference to its human rights record has again produced a wave of political and media criticism for his lack of foreign policy constancy.

This, in turn, has given new imnetus to the rumours that have periodically swept over Washington for months about the fate of Mr Christopher and

impression had been left that replaced by their deputies, Mr speculation have been two seri-he was planning to reshuffle Strobe Talbott and Mr Sandy ous factors. First, there is no Berger, respectively.

An alternative version has had Mr Talbott, a friend of the president dating back to their Oxford days, move to take over the national security council from Mr Lake. This post does not require approval by the Senate, where earlier this year over 30 members voted not to confirm Mr Talbott as deputy secretary of state.

Another widely canvassed option had Mr Clinton appointing a generally respected heavy hitter as the new secretary of state. This might be even a Republican or, in a total coup de théâtre, retired General Colin Powell, until last year head of the joint chiefs of staff.

ous factors. First, there is no hard evidence that Mr Clinton having already ditched his first secretary of defence, Mr Les Aspin, has lost confidence in Mr Christopher or Mr Lake in the face of the critical battery. Second, a change at the for-

eign policy helm now would be freely interpreted as a sign of weakness and a distraction from domestic policy priorities in the run-up to mid-term congressional elections that already have the White House and the Democratic party ner-

It would seem more appropri-ate for Mr Clinton to entertain a reshuffle some time well into the State Department might



retiring at the end of this year. or a party heavyweight such as Senator Bill Bradley of New Jersey, whom Mr Clinton ched during the transition about becoming secretary

Matched against all this N Korea faces renewed threat of sanctions

By John Burton in Secul

The North Korean nuclear issue may be referred by the US and South Korea soon to the United Nations Security Council for punitive action, following Pyongyang's refusal to allow international inspectors to examine fuel rods being withdrawn from its nuclear reactor. The International Atomic Energy Agency reported at the weekend that

negotiations with North Korea on the fuel rods to verify that the reactor core inspection of fuel rods had broken down, with Pyongyang continuing to remove them in spite of IAKA protests. The IAEA wants to analyse the rods to determine whether North Korea has previously diverted plutonium produced by the 5MW reactor for its suspected nuclear weapons programm But North Korea refused all IAEA

proposals to secure some of the 8,000

is the original installed in 1986. The reactor was shut down for 100 days in 1989, leading to speculation that North Korea removed some of the plutoniumrich fuel rods to make nuclear devices. The US and South Korea have warned that if inspection is blocked,

they would ask the UN for economic

sanctions on North Korea. Pyongyang has said this would be "an act of war".

There is a faint hope the issue could be resolved, since two IAEA inspectors remain at the North's Yongbyon nuclear complex to supervise the rods' removal, which is half completed.

North Korea said it would not comply with the IAEA's demand concerning the fuel rods since it claimed a "unique status", referring to its move to withdraw from the nuclear non-proliferation treaty a year ago.

Colombian presidential vote looks close-run

By Stephen Fidler and Sarita Kendali in Bogotá

Colombia's long-standing domination by its two traditional political parties seemed set to continue yesterday in the first round of Colombia's presidential elections.

Pre-election opinion polls suggested the ballot would be close-run, with both candidates leading some polls. However, neither Mr Ernesto Samper, of the Liberal party, nor Mr And-

tives, seemed likely to win the majority needed to avoid a runoff on June 19.

Although the election campaign has not been so far marred by the violence of the previous presidential campaign in 1990, when three presidential candidates were killed, abstention among Colombia's 17.1m eligible voters looked set to remain high. In polling stations in the slums that stretch south of Bogota and even in the middle class areas to the north, fewer than 10 per cent of those eligible turned out in the first two hours of polling. Abstention rates of 60 per cent or more are not unusual.

A record 18 candidates are standing for the presidency and each for the first time has a vice-president on the ballot. However, the Liberal and Conservative parties, which have dominated Colombian politics since the 19th century, continbeen blamed in part by the great similarities perceived between the programmes of both leading candidates. Mr Samper, 43, has already fought one election to win the Liberal candidacy. An economist and former minister of economic development in President Cesar Gaviria's cabinet, he has campaigned for a softening of the Gaviria economic modernisation programme. He has emphasised job creation, rais-

development

dam nearly twice the height of

The dam, at Bakun a few

miles downstream from Long Murum, will flood an area

larger than Singapore. Long

Murum and 14 other tribal

longhouses will disappear.

More than 8,000 tribespeople

whose families have lived and

hunted in the area for genera-

To some, Bakun is another example of Malaysia's confi-

dence in the future and a trib-

ute to the daring vision of Prime Minister Mahathir

Mohamad. "It's a project whose

time has come," said Dr Mahathir earlier this year.

To others Bakun is an ill

conceived scheme of doubtful

economic merit which could

bring environmental disaster

to one of the world's few

remaining areas of tropical

rainforest and sound the death

knell for a unique tribal cul-

ture. "It will be an ecological

time bomb sitting right in the centre of Borneo," says Mr Sim

Kwang Yang, a Sarawak-based

Bakun has been discussed

for 14 years but only recently

given the go-ahead by the gov-

ernment. Producing 2,400MW

of electricity by early next cen-

tury, the government says

needs of Malaysia's fast indus-

trialising economy. It will also

turn Malaysia into a regional

Bakun poses considerable technical challenges. It is being

built at a site more than 500km

upriver from Sarawak's coast.

The journey to Bakun involves

crossing a number of treacher-

ous rapids, New roads will

have to be built through dense

jungle to bring in building

materials and engineering

Taking the power out of Bakun will involve even

greater difficulties. Some of the

electricity generated will go to

Sarawak itself and to the

neighbouring Malaysian state

of Sabah. However, the bulk of

the power will go to peninsular Malaysia, first by 670km of

overhead cables within Sara-

wak and then through 650km

of cables under the South

Experts point out that power

power exporter.

equipment.

China Sea.

Bakun will not only meet the

tions will be resettled.

the Aswan dam in Egypt.

ing social investment to 15 per cent of GDP and subsidising agriculture, much which has been hit hard by lower tariffs. Mr Pastrana, 39, a former television presenter, senator and mayor of Bogota, also stresses social investment and education but gives the private sector a strong role in his proposals. Mr Pastrana's slick campaign appears to have won him support from younger voters, and from a high proportion

Housing shortage at centre stage in Israel

David Horovitz on a lack of land and labour

n a terraced hillside rising above west Jerusalem's huge new Malha shopping centre, rows of new housing stand close to completion - outside walls faced in golden Jerusalem stone, roofing finished, but with windows missing, no plumbing, and electricity yet to be connected

Across town, in the Talpiot neighbourhood, Yitzhak, bespectacled building manager of a deserted site, explains the malaise: "There are no Palestinians coming in from the territories to work. And without Palestinians, there's no building."
The closure of the occupied

territories - which is keeping virtually all Palestinians workers from their jobs inside sovereign Israel - has exacerbated a problem that has now become a priority for Prime Minister Yitzhak Rabin's moderate Labour government: the soaring rise in house prices.
For the third time in eight days, the Israeli cabinet yesterday devoted a full meeting to the issue, finally approving measures to free land for 50,000 new housing units this year, setting aside cheaper housing for those most in need, and introducing incentives for con-

Even yesterday's measures seem far too limited to achieve a drastic improvement.

tractors to complete at top

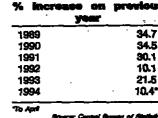
The problem, basically, is a matter of supply and demand. "In Jerusalem, for example," says real estate agent Alex Losky, "there's huge demand. Everybody wants to live here. But there's just no land available for building on.

Supply has been limited by the amount of red tape blocking allocation of new areas for construction - the innumera-

ble local, regional and national committees from which approval must be sought. And once land is allocated, private contractors - well aware of the spiralling prices - are in no hurry to complete projects. The longer they take, the higher the price they'll be able

Even contractors trying to work fast have been hampered by the closure of the territo-ries. Previously, 65,000 Palestinians worked in construction inside Israel; yesterday, the cabinet agreed reluctantly to lift the closure erder on just

ISRAELI HOUSE PRICES



13,000 of them. Asked why, with a national unemployme rate of 10 per cent, Israelis were unwilling to fill the vac-uum, Mr Yehuda Goren, deputy director of the Contractors' Association, said: "The Israeli unemployment reservoir is generally composed of people who aren't fit to work in construction. There is potential to recruit only about 3,500."

Mr Goren thought pay was quite competitive, and stressed Palestinians and Israelis were offered the same rates, ranging from 2,100 shekels (about £460) to 3,500 shekels a month - below, but not far below, average Israeli wages. Israel has taken to bringing in workers from Thailand, Romania and other cheap labour countries. Mr Goren said there would be

26,000 foreign construction workers in Israel by the week's 1,500 shekels a month

While land and labour shortages limit supply, demand is booming. Even though the pre-Gulf war era of 20,000 Russian immigrants a month is now a distant memory, new arrivals still average a monthly 6,000. Before the autonomy deal with the Palestinians, many thouands of cash-crapped families could find chesper housing in the occupied West Bank, but only the most ideologically committed see buying homes in settlements today. A further wave of deniand for homes inside severetgn israel is inevi-table when, somer or later, the government effers compensation to settlers willing to leave

the occupied territories.
On top of all these factors demand is also being fuelled by foreign Jewish investment in Israeli property which, accord-ing to Mr Bennie Loval of the Anglo Saxon real estate agency, accounts for 40 or even 50 per cent of house purchases in the best areas of Jerusalem, Tel Aviv and coastal towns like Herziiyah and Netanyah.

In the previous Likud gov-ernment, Mr Ariel Sharon, former general and defence minister, was housing supremo. He bulldozed through much of the red tape, and paid tens of millions of dollars in incentives to contractors, to shake the industry into a period of furious construction. Mr Sharon concentrated much of his building efforts on the south of Israel, the Negev desert where jobs are scarce and where even new immigrants were reluctant to live. As the Rabin government tries to address the housing shortage, many of Mr Sharon's southern apartments

privatisation programme

President Rafael Caldera of Venezuela, after less than four months in office, reorganised his cabinet at the weekend, appointing Mr Carlos Bernardez to head the country's stalled privatisation programme. Mr Bernardez worked for many years as president of Banco de Venezuela, one of the country's largest and strongest

By naming a respected private-sector figure to head the privatisation programme, Mr Caldera hopes to convince private investors that it is serious about selling off state-owned

serious setback on May 20 when it failed to obtain any tenders for the sale of a stateowned airline. Aeropostal. which was its highly publicised first effort at privatisation. Mr Bernardez replaces Mr Abdon Vivas Teran, a long-time congressmen and close supporter of President Caldera. who headed the privatisation programme until now.

Aside from Aeropostal, the government has a long list of companies scheduled for privatisation, including three electric power companies, a group of hotels and joint ventures in heavy industry.

Of the seven cabinet changes, the only other new face is Mr Alfredo Gruber, who takes over as state minister in charge of the CVG (Corporacion Venezolana de Guavana). the government-controlled group that includes steel and aluminium producers, mining companies and the country's largest hydroelectric power concern. Mr Gruber, a veteran executive in Venezuela's oil industry, was previously president of Palmaven, a subsidiary of PDVSA, the national oil

The government changes come at a time of increasing economic problems and reflect the president's desire to eliminate public squabbling that has occurred among cabinet

ministers in the past.

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Banker to head Caracas Daring vision or time bomb

Kieran Cooke reports on a huge dam planned for Sarawak

he jungle light quickly fades. The rain pounds The Bakun project like a hundred machine guns on the roof of the Long Murum longhouse. The men, descendants of Borneo's headhunters, their arms and legs covered in tattoos, sit round a flickering kerosene lamp. They chew betal nut and drink rice wine. Talk is of change and Here, in the heart of Sarawak, East Malaysia, plans are under way for South-East Asia's biggest infrastructure project - a M\$15bn (£3.85bn)

Compared with other large Asian and African dams

210 8.500 Akasomba Ghana Kosson reorg Const

transmission through such a lengthy underwater cable has never been attempted. "They are either being very daring or very foolish," said one Kuala Lumpur based energy company executive. Considerable power loss seems inevitable.

Bakun will be a private sec-tor project. In January this year the government signed a memorandum of understanding giving management of Bakun to the locally based Ekran company. The announcement was greeted with some surprise. There was

no tendering process involved. Controlled by Mr Ting Pek Khiing, a Sarawak-based Malaysian Chinese, Ekran was established only in 1991 and has no experience in projects of the size of Bakun. Mr Ting, a swashbuckling entrepreneur who has made a name for himself as a tourist resort developer, is supremely confident. "We can build anything on earth," he says.

Mr Ting says between 60 and 70 per cent of financing for Bakun will be raised from domestic sources and insists the project can be built in six years, without federal or state funds. Ekran is widely believed to be backed by Mr Daim Zainnudin, a former federal finance minister and an economic adviser to the government.

ome tribespeople feel the change the dam will bring is part of an inevitable process. "Our ways are altering anyway," says Mr John Bampa, who works in the small town of Belaga, close to the Bakun site. "As children we were taught to hunt wild pig and fish. But the new generation have been to school and have not been taught the

However, many tribespeople say they have not been consulted about Bakun or given any project details. Some reports say a series of dams are to be built in the area. In recent years 17 technical studies have been carried out on Bakun. A government min-ister told parliament this year those documents remain classified under Malaysia's official

Gara Jalong, one of a group of longhouse dwellers who two weeks ago tried but failed to present a petition opposing Bakun to the Sarawak State Assembly, says a governmentdoes not represent the tribespeople. "Many of its members have been responsible for selling our lands to the logging

Logging is very big business in Sarawak. In the past tribespeople who have interfered with the activities of the logging companies have been imprisoned. Though Malaysia says it is committed to curtailing logging it is still by far the world's largest exporter of unprocessed tropical timber most of it from Sarawak.

Over the last 12 months prices of many tropical hardwoods have more than doubled. In a 1991 review of forestry activities in Malaysia the World Bank said Sarawak's trees were being cut at about four times the sustainable rate

- a judgment flercely denied by the government. Mr Abdul Taib Mahmud has been Sarawak's chief minister since 1981. In exchange for support of Dr Mahathir's national front coalition government, Sarawak is left largely to govern itself. An uncle and political rival of Mr Taib once accused the

chief minister and his political

of Sarawak's timber concessions. Two of Mr Taib's sons are among Ekran's main shareholders. Mr James Wong, Sarawak's environment minister. also controls one of the state's est timber companies.

Bakun is being built on the upper reaches of the Rejang, Malaysia's longest river. An area of more than 80,000 hectares (200,000 acres), much of it cut to accommodate the dam.

nvironmentalists allege logging has already caused severe soil erosion. Locals say ten years ago the Rejang's waters were clear and fish were abundant. Now the river, nearly a mile wide in places, is a muddy brown colour and there are few fish. Water levels fluctuate wildly.

The government seems determined that Bakun will go ahead but is waiting for Ekran to submit an environmental impact study on the project. It has yet to decide whether that study will be made public. In the past Dr Mahathir has

attacked both local and foreign groups that have lobbled on behalf of native peoples: he has said such groups would prefer to see the jungle dwellers living "like monkeys in trees" instead of sharing in Malaysia's development. Lihan Ahang, a native chief

at Long Murum, points to a faded black and white photograph of his grandfather, a warrior who fought against the Brookes, the White Rajahs of Borneo. "We are not against development," he says. "But I am sad about this project. It means giving up our lands and leaving the graves of our ancestors. It means changing our whole way of life."

QISCUSS war in Yemen

The United Nations Security Council will tomorrow discuss Yemen's month-old civil war following a joint appeal from Egypt, Saudi Arabia, Kuwait, Oman, Bahrain and the United Arah Émirates

Though the outcome of the neeting remains uncertain, the fact it has been called appears to serve south Yemeni political interests. Indeed, the appeal from the six nations now suggests implicit recognition for the new southern government in spite of objections from northern leader General Ali

Abdullah Saleh. Support from the six Arab nations follows intensive diplomatic efforts by the south over viewed as a political coup for

the break-away state. Shortly after the start of hostilities on April 27, Gen Saleh and other northern leaders warned the international community against attempts at mediating, saying it would amount to meddling in Yemen's domestic politics. Those warnings were repeated last week when Saudi Arabia initi-

ated the current proposals. Supported by his political allies in the fundamentalist Islah party, Gen Saleh claims to represent constitutional legitimacy in the country and has vowed to crush what he calls rebellion by the southerners. He is unlikely to heed any international objections, espe-cially if he entertains hopes of

a military victory. The prospects of such a northern victory, though, appear less likely with each passing day. To win the war Gen Saleh had to capture Aden and other key regions of the south. A month ago, he boasted of easy victories. But northern troops attempting to enter Aden have met with stiff resistance and advanced only to 60km from the city.

Lacking any air cover. Gen Saleh's troops approaching Aden from the north have been exposed to relentless bombing and strating by southern jets while those approaching from the east and west have come under heavy naval bombard-

ment from southern ships. Stalled in efforts to reach the southern capital. Gen Saleh last week opened a new front to the east, aiming to capture the oil fields of the Wadi Hadhramaut, some 700km north-east of Aden. But southern leaders were unruffled by the new northern thrust, saying that Gen Saleh was over extending his forces and making them easy prev to counter-attack.

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By Peter Norman, Economics Editor

By Jimmy Burns

Noraid, an organisation once stigmatised as the Irish Repub-

lican Army's main fund-raising

arm in the US, is openly defy-

ing a court order to file regular reports with the Department of

However, officials at the

department say Noraid is no

longer of concern - they

and they are prepared to turn a

Under the US Foreign Agents

blind eye to its failure to file.

Registration Act, Noraid has

been required since the mid 1970s to give details of its fund-

raising activities at least twice

the Justice Department for

three years. The last recorded

July 1991 and is incomplete.

and Noraid's spokesman, says the organisation's leadership

has no affiliation or relation-

ship with the IRA. He says its

sole purpose is to contribute

funds to families of political prisoners and to lobby in the US for a united Ireland.

In an interview in New York,

Mr Galvin said: "We don't

believe we are required to reg-

ister under law. We are not

agents of the IRA We are

Americans who under the US

file covers 12 months ending

Mr Martin Galvin, a lawyer

But Noraid has not filed with

describe it as "moribund"

Justice in Washington.

The Treasury is likely to revise upwards its forecast for UK economic growth this year on the strength of increasing evidence that activity has withstood the impact of April's tax

Treasury economists are drawing up a new forecast for publication around the end of next month. It is expected to apgrade last November's Budget forecasts for 1994 of 2.5 per cent growth of gross domestic product and 2.25 per cent growth for GDP

'Moribund'

Noraid ignores

US court order

constitution's First Amend-

ment have the right to express

A similar assertion by the previous leadership of Noraid

led to a lengthy legal battle in the late 1970s between the organisation and the Justice

Department. In 1981, it resulted

in a judicial decree confirming

Thirteen years later, the

Noraid's links with the IRA

plans to take Noraid to court

over its apparent defiance. Offi-

cials argue that to do so would

risk generating renewed support for the organisation when its finances are dwindling.

Justice Department officials

say they have not carried out a

British and American intelli-

gence sources currently esti-

mate that the fund-raising

effort has dipped from a high

of nearly \$1m a year during the hunger strikes in the early

1980s to between \$100,000 and

Search for support, Page 13

formal audit on Noraid's

accounts since the mid 1970s.

our views on Ireland."

Economic indicators for April, pub-lished this month, suggested that the and indirect taxes. At about 7 per economic upturn is gathering strength. This trend is likely to be confirmed by early data for May, due this week.

Economists expect Bank of England figures tomorrow will show that seasonally adjusted growth of MO, the measure of "narrow" money - com-prising mainly coins and banknotes in circulation - accelerated to about 7.1 per cent in the year to May from 6.2 per cent in the year to April. MO is regarded as a useful guide to

cent, M0 would be growing at nearly twice the ceiling of the government's 0 per cent to 4 per cent "monitoring range" for narrow-money growth this

The Chartered Institute of Purchasing and Supply is due to publish its purchasing managers' index on Wednesday. This indicator, which is based on techniques developed successfully in the US, is also expected to point to further increases in activity. The forecasters' consensus of nearterm growth prospects has been creeping upwards in recent weeks.

A Treasury survey of 32 new inde-pendent forecasts in May found that the average expectation of growth was 2.7 per cent for this year and 1995 compared with 2.6 per cent for each year in April

The recent report of the Treasury's panel of economic advisers - the so-called "six wise men" - produced average GDP growth forecasts of 2.9 per cent for this year and 2.8 per cent

With growth projections ranging from 2.6 per cent to 3.4 per cent, each of the advisers forecast that growth this year would exceed the November Budget prediction.

Seasonally adjusted figures from the Central Statistical Office last week showed that first-quarter GDP was 2.6 per cent up on the first quarter of last year and 0.7 per cent higher than in the final quarter of

However, after removing buoyant oil and gas extraction from the figures, economic activity only recovered in the first quarter to the over age level of 1990.

First-quarter GDP, excluding oil and gas, was 0.6 per cent higher than in the final 1993 quarter and just 2 per cent up on the first quarter of last

Britain in brief

Poll boost for Blair and Beckett

A joint leadership ticket of Mr Tony Blair and Mrs Margaret Becket was being promoted within the opposition Labour party yesterday as three potential candidates for the leadership outlined their vision for a

future Labour government. The latest opinion poli showed overwhelming support for Mr Blair, shadow home secretary, to become leader, and Mrs Beckett, the deputy leader, to keep her post

The poll, compiled by the BBC, included elements of all three of the electoral college of MPs and MEPs, levy-paying trade unionists and constituency parties. It showed Mr Blair with 48 per cent against 17 per cent for Mr Gordon Brown, Labour's shadow chancellor. More than 40 per cent wanted Ms Beckett

to continue as deputy leader. The contest will not start officially until after the June 9 European elections.

Managers turn to altruism

British managers like nothing more after a hard day at work in the caring 1990s than to start managing again, it seems

but this time for no pay and
to help others, according to a survey of 3,000 members of the Institute of Management

published today. More than half of the 857 managers who replied to the survey said they undertook some form of voluntary work in the community. Two-thirds of those who did not do community work said they would like to.

Just one in 10 managers admit that they are seeking to make social or business contacts. Most told the survey they volunteer from a sense of social responsibility and a feeling of satisfaction from helping others.

Scientists warn on overgrazing

Overgrazing is damaging heather moorland across most of the uplands of England. according to English Nature, the government's statutory adviser on nature

conservation. Large amounts of heather moorland have been lost since the 1940s due to sheep grazing, a survey by scientists at English Nature showed. In Cumbria, about 36 per cent of upland heather had disappeared by the late 1980 The same percentage of heather moorland was lost in the Northern Peak District between 1913 and 1979, most of it since the 1940s.

Police pressure for drugs policy

The government was facing growing pressure yesterday to launch a major education mpaign in a bid to counter the souring use of drugs as police chiefs renewed their call for attention to be switched from supply to demand of drugs.

Mr Keith Hellawell, the chief constable of West Yorkshire and chairman of the chief constables' committee on drugs, stepped up pressure for povernment action against the growing demand for drugs. Mr Hellawell, who has suggested that cannabis might be legalised at some point as

part of a new approach to drugs, is to chair a chief constables' conference on drugs starting on June 8.

GPs see more stress cases

Britain is the grip of a "stress epidemic", with family doctors often taking over the counselling role of parish priests, according to a report published yesterday. A bleak picture of the country's moral and mental well-being is painted in a

survey in the British Medical Association News Review. A survey of 650 general practitioners showed that more than 80 per cent said the number of patients with stress-related problems had increased significantly over

the past 15 years.



As religious figures, opposition parties and charity groups dealing with the homeless attacked prime minister John Major's recent description of Britain's beggars as "an eyesore", homeless people marched through London yesterday to commemorate those who had died on the streets. Weekend reports indicated that one in four single homeless people has served in the armed forces

Tories argue over single currency

By Roland Rudd

Sir Leon Brittan, European Union commissioner, yesterday predicted that the community would back a single Europe currency and warned that the issue would not go away.

In the last accounts filed at the Justice Department, Noraid claimed it had raised \$1.8m in His comments on the controversial policy were immediately refuted by Sir Christothe 12 months to July 1991. Government officials say the pher Prout, leader of the figure is artificially inflated to Conservative MEPs, and Conmask the financial weakness of servative Central Office. Mr John Major's advisers republican groups in the US.

were irritated by the intervention of Sir Leon, the former Conservative trade and industry secretary, in the middle of

the European elections. The prime minister has said he does not believe that a single currency will come in his In an interview with the

BBC, Sir Leon, referring to the single European currency, "Where people in Britain would make a great mistake is If they think that it is not going to happen.

"It is going to happen and since the collapse of the

its old form, the fact is that most of the countries of continental Europe are keener than ever to go ahead with a single

Sir Christopher dismissed Sir Leon's predictions, saying the moment for a single currency had come and gone. He made it clear that while the government was not opposed to the principle of a single currency it was up to the British parliament to decide if it wanted

However, he added: "There would be difficulty in getting

one through Parliament because of the deep seated opposition to it in the coun-

Sir Leon said the fact that the rest of the EU was moving towards a single currency did not mean that Britain had to follow suit. "But it is important that we do not think it is going to go away and not hap-

He denied that there was a need for concern because Britain had the option of a single currency but not the obli-



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FINANCIAL TIMES

And the second of the second o

BACK TO THE FUTURE

sing 'empowerment' long ...ore it became fashionable. Martin Dickson on the company's formidable reputation for innovation

t 3M, the US manufac-turing giant, they never tire of telling one another - and anyone else who will listen the remarkable story of Richard Drew and William McKnight.

Drew was an enterprising young 3M laboratory assistant in the early 1920s who had a great new product idea: a glue-covered paper which would make it easier for car manufacturers to paint their vehicles without the colours running.

McKnight, his boss at what was then a hundrum sandpaper manufacturing business, was unim-pressed and suggested he drop the research. Drew persisted and invented masking tape - the first of the family of Scotch brand sticky tapes which transformed the fortunes of the business.

A chastened McKnight - who as company president played the crucial role in forming the company's shape and culture - proclaimed that from now on all 3M laboratory staff would be free to devote 15 per cent of their time to research of their own - a guideline that persists to this day.

And in 1941, in a paper spelling out 3M's management philosophy, he declared that employees must be allowed to perform their work in their own way - a principle which anticipated by 50 years the current management fashion for worker 'empowerment"

People would make mistakes, McKnight declared, but in the long run these would not be as serious as "the mistakes management will make if it is dictatorial and undertakes to tell those under its authority exactly how they must do their

The tale is of more than historic interest. 3M managers use it frequently both to explain and reinrdinarily strong corporate culture which has made the group one of America's most inventive businesses, manufacturing more than 60,000 products, ranging

t the weekend they were hob-nobbing among the sheep at

Glyndebourne Last Monday

night they were hard at it among

the begonias at Chelsea. The season

is upon us when business execu-

tives and their contacts get together

Far from disapproving of all this

junketing, I love it. On the - regret-

tably few - occasions that I have

been on the receiving end of corpo-

rate hospitality, I have had a splen-

did time. Two weeks ago my hus-

band and I were taken to Covent Garden by BP. We had good seats and nice champagne and smoked

What puzzles me about this hectic

tertaining is why companies do

it. Why did Enterprise Oil invite 200

people and their spouses to a private snoop round Chelsea on Mon-

day, followed by a lavish meal?

Why do 300-odd companies pay up to £20,000 a year to take a few guests to Glyndebourne? Surely in

this age of sleek and professional

management, no one takes deci-sions based on Wimbledon tickets

on a box at Ascot. Could it be that

salmon. It was all most pleasant.

NTIAL

tape and home cleaning sponges.

"The culture is innovative," says

William Coyne, vice president for research and development, "but management has to continue clearly defining that, for example by revisiting the successes of the past." It is no accident that a corporate video sent out this year to sub-sidiaries around the world opened by quoting McKnight's 1941

3M's inventiveness means that it consistently ranks in surveys of businessmen as one of the most admired corporations in the US. It was also prominently featured as one of the country's best-run companies in the early 1980s best seller in Search of Excellence by management guru Tom Peters.

Such accolades, and the pride that accompanies them, can often be the prelude to a fall - as graphically demonstrated by the manage ment upheaval over the past two years at struggling IBM, another In Search of Excellence star.

But over the past decade 3M has quietly kept up its solid growth,

Accolades, and the pride that goes with them, can be the prelude to a fall

past five years have been unexcit-ing, falling short of its own goal of ing at least 10 per cent a year.

But this is mainly because 3M is a the user. This is the hot topic for us today – and for all those who've got quintessentially cyclical company, whose earnings rise and fall with

the season has become an institu-tionalised perk for senior directors?

When you ask most companies

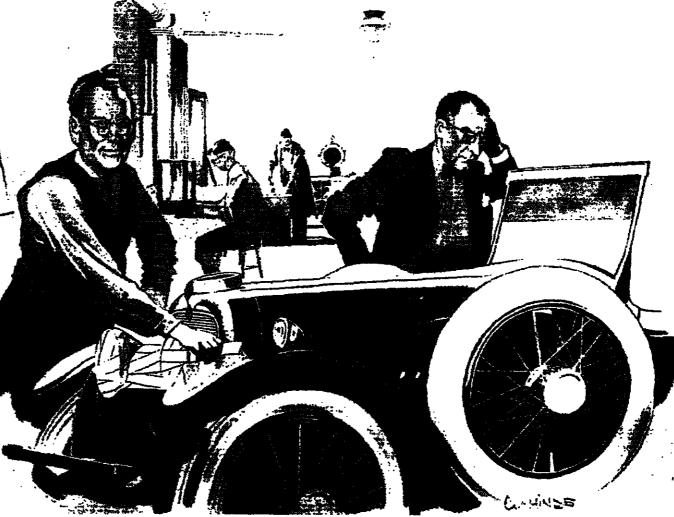
about their entertaining they will

not talk numbers; in fact they will barely talk at all. Off the record

they will mouth platitudes about

building relationships, and point

out that the money from some of



Richard Drew (left) had a great idea: a glue-covered paper which would make it easier to paint cars. His boss, William McKnight, was unimpressed

increasingly that of the world, since some 50 per cent of its sales are now overseas, up from 37 per cent in the mid-1980s.

As the US economy strengthens, and Europe emerges from recession, analysts are predicting earnings per share growth of around 8 per cent this year and 16 per cent in 1995, However, there can be no room for complacency at 3M, which faces two central management challenges in the 1990s if it is to retain its enviable reputation.

intense international competition in most of its markets means that customers have come to expect excellent service at very low cost, making it harder for manufacturers to claw back through price increases the impact of inflation on their manufacturing costs.

This pressure on margins means 3M has to improve constantly its productivity in manufacturing and distribution, while trying to steal a march on rivals with the invention of new products which, in the words of R&D chief Coyne, "change the basis of competition". As an example, he cites a new kind of reflective material which 3M says is three times brighter than that previously used on road signs.
"We have to continue creating

says Livio DeSimone, the chemical engineer who has been 3M's chairman and chief executive since November 1991, "but we must bring their eyes open and want to sur-

Some Wall Street critics argue that 3M has been too slow to cut manufacturing costs in Europe, where it has been gradually lower-ing employment through attrition

and early retirement. But Doug Hanson, who heads the region, points out that forced redundancies involve particularly heavy severance costs in Europe and drastic cuts in the workforce are simply not 3M's style.

"We always want to do right by the people that leave, because if you don't, the rest of your people are going to be concerned.

Whatever the restructuring record, there can be no doubting 3M's resolve to keep new ideas com ing. For many years it had a target emulated by several other large US companies - that at least 25 per cent of its annual sales must come from products which had been on the market for less than five years. But two years ago, in the light of

increasing competition, it decided to raise the bar. Now 30 per cent of sales should come from products less than four years old. Over 25 per cent did in 1993, and this year 3M hopes to achieve the new target fully for the first time. This impressive record is due to several factors. Arguably the most

important is McKnight's cultural legacy. His 15 per cent rule remains an important company creed (though far from all the group's 8,500 technical staff spend so much time on their own projects). One of the group's most cele-

brated inventions in the 1980s - the But as they go round the group

computer screens - was dreamed up by researcher Art Fry in 15-percent time, though he was initially trying to create a hymn book

marker. Coyne recalls that when he first joined 3M as a junior researcher, "I became convinced in less than a day that this was a company which expected me to make a difference as an individual."

But the culture also encourages the cross-fertilisation of ideas between 3M's more than 40 husiness units. Much of this is done through informal networking, for example through an employee-run technical

'If we have any arrogance we work hard at not retaining that trait'

forum, which runs a series of lectures by inside and outside speak-

Technicians are also encouraged to get out and meet customers, on the grounds that the best ideas such as Drew's masking tape come not from sitting in a laboratory but from identifying unarticulated customer needs.

Cross fertilisation is also reinforced by official bodies, such as 3M's little-publicised audit teams. Their primary function is to assess the commercial potential of laboratories' new product programmes. they often come across develop-

ments in one lab which can be helpful to another. There is also a complex system of

awards for new ideas, though the company generally eschews financial bonuses for inventions, on the grounds that getting them to market involves extremely complex corporate team-work.

The culture is also underninned by 3M's low turnover among research staff and the company's insistence on growing top management from within the company.

3M's R&D effort is hardly

flawless. Coyne is concerned about productivity, noting that R&D spending is 7.3 per cent of group sales, compared with a target of 6.5 per cent. Other senior officials express concern that inventiveness could be stifled as the group gets

But this willingness to engage in self-criticism, and benchmark against other companies, may be an important reason why 3M is still expanding healthily, unlike some other corporate superstars of the

DeSimone also attributes its lack of complacency to the immense diversity of its product portfolio, which means it has to compete across an unusually broad front against top-notch rivals, such as the Japanese in memory media, Johnson & Johnson in healthcare and <u> Bastman Kodak in film.</u>

"If we have any arrogance we work hard at not retaining that trait." he says. "It's always been a killer in the long run - but it's a



DESERT ISLAND MANAGER

Richard Branson

After losing the competition last week to run the UK's national lottery and failing to persuade the Radio Authority to create a new FM national frequency for his pop station, Richard Branson probably needs a spell on a desert island. He is no stranger to desert island living. Necker in the Virgin Islands was uninhabitable when he bought it 12 years ago. Now it is one of the most exclusive retreats in the

What would you need, apart from fax and telephone, to carry on your business? Thoughts of essentials for my occasional weeks of blisaful isolation on Necker would be pretty similar to those I would want as a mythical desert island manager. I would pleed for a global satellite TV system with Sky, CNN and the BBC World Service. Armed with all that and a stock of trusty black A4 notebooks, I think I could keep the business under

How would you keep your

"Given that the public relations machine at British Airways wrote me off in the sanity department at least four years ago, I have long since lost interest in worrying about the question. As one diversion, I would probably use my spare notebooks to start a journal and diary of our lives. As another exercise. I would enforce some sort of physical routine, such as building a tennis court. It is my favourite sport."

You can choose one sort of food and one sort of drink, what and

"Assuming we have water on the island and that fruit is growing, the two unmissable essentials would be baked beans and good beer – although it would be a toss up between beer and champagne."

And one film? "It would have to be *Borsalino*, starring Alain Delon and Jean Paul Belmondo, it fits the bill. It brings back memories of my teenage years and was a favourite of both myself and my first partner in business, Nik

Which person would choose to accompany you? "I could not consider life without

the family so I have to assume they are coming. My one other person would be Karl Marx, We both have beards and moustaches in common and discussions on the merits of capitalism versus communis would take on a new significance if we both had to work to

Which book would you take? It would be James Clavell's Tai Pan. I am told it is an interesting novel and I started it just after Virgin's Hong Kong inaugural flight but have not had a chance

Branson insisted on one final condition for desert island living.

"I would immediately establish a national lottery on our island. It would be fun, help Karl to understand a hit more about capitalism and, of course, then would not have to be a competitive tender to win it."

without the fuss, managerial upheaval or vast write offs common at some big US corporations, from its headquarters near Minneapolis/ St Paul - a land of freezing winters and hot summers on the edge of the Great Plains which fosters down-to-earth Mid-western values rather than corporate pretension. True, its financial results over the

earnings per share growth averag

LUCY KELLAWAY

these events goes to charity. Not all companies are so coy. Michael Prideaux, of BAT Industries, provides the most sensible solution to the puzzle. He says corporate entertaining works subtly at the margin. There is nothing you can do to persuade an institutional investor to go on holding your shares. But if you have just treated them to a nice day out, they may be more willing to hear your side of the story before flogging them.
I expect he is right. The system works because we are all hu

Perhaps I should think twice before saying anything untoward about BP.

When a woman in a position of power starts making unpopular decisions the chances are that someone



will unfairly accuse her of sleeping her way to the top. Such was the sad fate that last week befell the intelligent and likeable Clare Spottiswoode, director general of Ofgas. The less said about that incident - or non incident - the better. Yet I wonder if the sordid story might contain a warning to the business world. The tabloid press is endlessly fascinated by who is sleeping with whom, and being fed up with the affairs of MPs it may be shifting its attention towards commerce. Spot-tiswoode - who spans the two

worlds - could be a first step. If businessmen in the past have escaped attention it is not because they are considered out of bounds witness Ralph Halpern and his bimbo - but because they are not well enough known. Now that many of our captains of industry are becoming increasingly famous (as well as increasingly rich) all the

ingredients for a nice tabloid sex scandal are there. I put it to the editor of the Sun, who said he couldn't possibly comment. Perhaps that means he'd love to break a few such stories, but is having a bit of trouble coming up with any.

No such thing as a free opera ticket

While the private lives of executives is a subject for the prurient only. the same can not be said about their pay. The bad publicity any director can expect over an immod

ously independent) committees. Yet not all those who receive a public flogging deserve it. Take last week's revelation that Alan Jack-

pay rises than any number of (dubi-

son, chief executive of BTR, has a guaranteed floor under his basic alary. I can't see anything wrong with that - most of us assume our base pay will not fall. Of course, bosses' total pay should go up and down with performance: but the basic salary should be small and fixed and the bonus generous when the company is doing well; non existent when it is not.

Likewise, I can't get too excited about the revelation at Lasmo's AGM last week that its part-time ex-chairman and deputy chairman were entitled to a pro-rata payment of £700 a day if they worked more than a certain number of days a ear. As a part-time worker, I think it is fair to be paid extra for extra work. I am less sure about whether those gentlemen deserved such high salaries to start with.

There is something deeply revealing

especially those who are used to winning. Lord Young, chairman of Cable and Wireless, and Richard Branson of Virgin evidently thought that they were on to a winner late last year when they smilingly posed with the racehorse Des ert Orchid to launch their bid for the national lottery.

Now that they have lost we are

about the way in which people lose,

seeing another side of their personalities. Branson is taking it like a spoilt child, having his picture taken sulking on the steps of his Holland Park home, and ripping up the fax that bore the news. Lord Young, in line with his smooth image, has delicately withdrawn into the background as if nothing had happened.

Full marks, then, to their lobby-ist, Des Wilson. According to the inveterate campaigner, who treats every day as a personal victory, the Branson-Young bid should not be seen as a failure at all. Their intervention resulted in other contenders promising to pay more money to charity. And that was the whole

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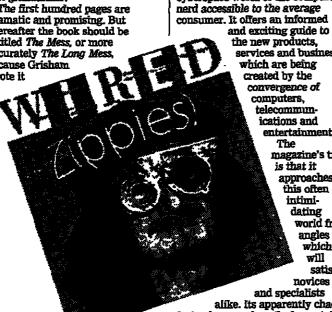
The Chamber

John Grisham, the lawyer turned blockbuster thriller writer, made his name and his millions writing books with titles like The Firm and The Client.

Now we have The Chamber, which at first sight should be called The Formula, because it starts by conforming to the a well established Grisbam pattern.

It takes us swiftly into the main event, in this case a Ku Klux Klan bombing in the 1960s which kills a Jewish lawyer and his two young sons. Twenty years later, the man sentenced to death for the crime faces the gas chamber. A young, talented but independent lawye from an underprivileged background, working for big time law firm, volunteers for the apparently hopeless case. The twist: the old racist prisoner is his long lost grandfather.

The first hundred pages are dramatic and promising. But thereafter the book should be retitled The Mess, or more accurately The Long Mess



in long hand and its runs to almost 500 pages. It hints that it might become a detective story of the young lawyer's hunt for the mystery second bomber, who masterminded the attack but got

away. That storyline peters out. The Chamber is a sustained attack on the mechanics and politics of the death penalty. It claims to be a thriller, as the hero desperately attempts to save his grandfather while the clock ticks away. Yet the story is peculiarly mechanistic account of ludicrous petitions being faxed backward and forward between courts.

The book is mainly a portrait of the white, working class south, through a family which is inevitably and hopelessly wrecked by its history of racism. This portrait is at times compelling. But Grisham is far better at explaining events than exploring characters. So the moving story of the grandfather and the lawyer learning to love and depend upon one another on death row gets hopelessly confused with the thriller and detective sides of the story. For those who were gripped by The Firm and The Pelican Brief this latest Grisham book may well go down as The Disappointment.

The Chamber, By John Grisham. Century, £15.99 pp486

Wired up

It can lay reasonable claim to being the trendiest magazine in the world. What New Musical Express and Rolling Stone were to the rise of popular music, a new US magazine called Wired aims to be for the emerging world of multimedia. In the 1960s Rolling Stone and NME were essential for young rock fans who each week bought LPs to play on the mono record players in their bedrooms. Wired aims to be the ssential accessory for a generation brought up with the personal computer, electronic games and e-mail.

Launched in January last year, with 12 full-time staff and only \$250,000 of capital, Wired's circulation has risen from 150,000 to 230,000 copies a month, mainly

in the US. Its success rests on making the cyberspace world of the computer nerd accessible to the average consumer. It offers an informed

and exciting guide to the new products. services and busin which are being created by the convergence of computers, telecommun-

ications and entertainment magazine's trick is that it approaches this often dating world from which will satisfy

alike. its apparently chaotic design borrows heavily from style magazines such as The Face. It has its very own grammar: each article ends not just with the writer's name, but also their e-mail address on the Internet networking system. Yet its not afraid of being mainstream.

It carries meaty articles which would grace a staid business magazine. Recent issues have included long pieces about the US government anti-trust case against Microsoft and the battle between MCI and AT&T in long distance telecommunications, for instance.

Jane Metcalfe, the magazine's 32-year-old president and co-founder magazine for really modern people living in a digital, electronic world. All these technologies can allow

people to take power themselves."

She and her co-founder, Louis Rossetto, spent their savings and almost two years hawking the project around US publishers before they got their launch finance. Now they employ 52 people and sell in 26 countries. Wired is also about to go international in a big way. with a recent deal to start a Japanese language edition and rapid expansion planned in the UK and continental Europe.

In the UK, Wired is distributed by CoMag Tel: 0895 444055.

By Charles Leadbeate

JOBS

School's out at Allied-Lyons

How do you train a group of busy part-time workers, of varying ages, literacy and backgrounds? One way is to let them teach themselves with the help of a computer.

Allied-Lyons Retailing, part of the UK food and drink group, says it is the first brewer to introduce on-line, interactive, computer-based training as a tool to improve service in its pubs, which employ a high percentage of part-time staff.

More than 20 outlets in London already have the open – or distance · learning system, and it is intended that by the end of the year it will be available in all Allied's 2,000 retail outlets. "It is difficult to get part-time workers together to train," says

Mr Richard Lowe, the group's head of retail marketing. "So we have designed a computer-based system into which staff can dip." Individuals signing on to the interactive system are informed about their group and then offered a number of quizzes over how the best service is provided. A second package, looking in more detail at health and safety issues, is to be introduced soon.

Open learning has been used for some years but is now being applied to more diverse needs. A recent survey found the system used by employers as diverse as Rover and Rank Xerox - to be one of the fastest growing forms of training delivery in the UK.

The reasons for this are fairly simple: it is relatively cheap, compared with conventional training it is flexible; and it can provide effective training without the need for employees to take regular time away from their

workplace. Employees seem to like it too as it can offer courses that are "tailor-made" to their needs. Users ranging from those requiring basic skills, such as bar staff, to those wanting to learn complex tasks, such as British

Telecommunications explaining the introduction of a new technical system to every manager in the country.

BT says: "Normally this would have meant a day off work to attend a training session, at a cost of at least £150 a head. By presenting the information on a videodisc. which managers could view quickly, locally and at a convenient exercise to £15 per manager."

By Lisa Wood





EATING OUT

Where to find the best Chinese meals in London

London's Chinese restaurants originated to feed sailors who manned ships from the Far East. Hence, the first eating houses of this type were along the Thames.

Today only Chinatown (987 2330), Tai Pan (791 0118), Old Friends (790 5027) and Young Friends (987 4276) remain in the Limehouse area of London's East End. In the interim, Chinese

restaurants have spread throughout London. Among the more expensive are the Oriental in the Dorchester Hotel, W1 (629 8888), which has a Michelin star, Imperial City in the Royal Exchange, EC3 (626 3437), where Ken Hom the well known American/Chinese chef is onsultant, Poons in the City, EC3 (626 0126) and the Inn of Happiness St. James's Court Hotel, SW1 (821

1931). These are Chinese restaurants at which you can certainly impress business guests. The service has none of the abruptness that can characterise cheaper Chinese restaurants but the bill can be the equivalent of that in a top French or Italian restaurant - £30 to £50 per head - particularly if you are lured into ordering one or more of their specialities - abalone, shark's fin or a whole Peking duck or leave the choice of the menu. to the manager. (If you do this, always specify a maximum price per head.)

The highest concentration of Chinese restaurants is now in London's Chinatown, an area of the West End delineated by Shaftesbury Avenue to the north, and Lisle Street to the south, with

and Charing Cross Road. The main thoroughfare is the pedestrianised Gerrard Street which boasts a host of Chinese food shops (including Chinese sweet shops), as well as several good restaurants, particularly Harbour City (439 7120). London Chinatown (437 3186) and

its borders along Wardour Street

Lee Ho Fook (439 1829). The many Chinese restaurants in the area fall into three loose categories. First, those which offer an extensive lunch and dinner menu. The most interesting of these are: Fung Shing (437 1539), Mr Kong (437 7341) and Poons (437 4549) of Lisle Street; Ming in Greek Street (734 2721) and the Mayflower on Shaftesbury Avenue (734 9207).

Then there are those cavernous restaurants which at lunchtime serve Chinese dim sum. These tend to be noisy but good value, groups, as the average price of each dish is low. The New World in Gerrard Place (734 0396). Chem Cheng Ku in Wardour Street (437 1398), China Court in the Swiss Centre (424 0108) and Tai Wing Wah. in Newport Place (287 2702) are among the most popular.

Finally, almost all these restaurants offer a "one dish" meal for the adventurous but single diner. Try the tiny branch of Lee Ho Fook, in Macclesfield Street; for a large bowl of duck and noodles or pork and rice that, with a pot of Chinese tea, will leave change from £5. Or pay £6 at Poons, in Leicester Street (487 1528), for a large earthenware bowl of steamed rice cooked with eel steaks and black bean sauce. This was so warm and filling it seemed to dry my very

By Nicholas Lander

game could be played no better.

The perfect sportsman negates

the competitive element which is

essential to sport; perhaps he also negates the human element. Yet he

is a magical figure in the imagina-

tions of those that watch him. Brian

Lara is not, and perhaps never will

be, the "run-getting machine" that

Hobbs called Bradman. But people

have seen in him the image of the

perfect sportsman; and, taken

unawares by his smiling genius, by

the irruption into the lives of a

Boy's Own hero, the most jaded of

observers has begun again to

covered in

Fortnum and Mason hampers,

marquees, a fun-fair and gipsy

caravans. The Epsom meeting

finishes on Saturday, when the

Oaks race for filles will be run.

opens with Derby day and

WEDNESDAY:

For four days

iust outside

Epsom Downs,

London, will be

THURSDAY:

England take on

Main events

HEALTH

How to do battle with jet lag

Not for nothing are overnight flights known as "red-eyes". But reducing the negative side effects of long distance flying is possible. One of the most important things a traveller can do, says Dr Gill Lea, of travel company Trailfinders, is to sleep as much as possible on the journey.

Trying to pre-empt jet lag by setting watches to a new time zone in advance, changing diets or undergoing high-tech light treatments to change the body's circadian rhythm are really not very helpful, she says.

Dr Lea believes a disrupted personal body clock is an inevitable consequence of moving through time zones. Sleeping at the other end is still the best remedy for jet lag and general travel weariness. As far as time permits, business

travellers should adapt their schedules and book a flight which arrives as close as possible to the flier's bedtime. Generally, the body needs 24 hours to adjust to a new time zone, and important business decisions should be postponed as long as possible after arrival.

Other effects of long-haul flying can be dealt with on the plane. In the air, the body tends to dehydrate and drinking plenty of liquids is crucial during a flight. While free cocktails in first class are very tempting, these have a dehydrating effect and travellers should alternate alcohol with water or soft drinks.

Sitting for five to fifteen hours - even in a roomy business class seat - can cause the body to stiffen and the increased pressure of the flight cabin tends to swell the ankles. Travellers should get up and walk around, and remove shoes with caution, Remember you need to be able to get them back on at the end of the flight.

If walking around the cabin every 20 minutes seems excessive, Dr Lea recommends that passengers lift their knees off the seat and wiggle their feet up and down at the ankles. Lifting the thighs off the seat allows blood to flow back up from the ankles and can reduce swelling.

As part of their campaigns to woo business customers, several airlines have launched programmes and products to relieve passengers of the physical inconveniences of travel. Japan Air Lines produces a special drink which it calls "Sky Time" – a combination of kiwi juice and royal jelly - which promises to help passengers enjoy their flights in a more relaxed mood and arrive at their destinations full of energy". JAL also offers a honeycomb mask for passengers to wear on their noses and mouths. in order to retain moisture in the

nasai passage.
To keep travellers from stiffening m on the flight. JAL shows on the movie screens exercises that can be performed in the seats. British Airways' Well-being in

the Air package includes light meals, suggestions for exercises, "comfort kits", containing moisturisers and eve-compre and an audio programme to create a "sense of inner calm".

By Motoko Rich

BUZZ WORDS

Watchdog

Cave conent; beware of the dog. Watchdogs are roaming all around us. Last week Clare Spottiswoode, the British gas industry watchdog, got in a spot of trouble with MPs over an outspoken attack upon her predecessor. Another House of Commons committee called for the sacking of Joe Patmer, chairman of the Personal Investment Authority, "the planned watchdog to protect private investors" (Financial Times).

Pality II

Iny

The watchdog peck is growing the whole time, with everything from Oflot, for lotteries, and a railway regulator, to the Independent Television Commission, which beared its teeth last week, and the Securities and Investment Board for financial

services. The original watchder was Cerberus, the three-headed dog which kept the shades in Hades. Now watchdogs are people who keep watch over sectors of industry,

finance or government.

The word developed from the Oxford English Dictionary first usage in Shakespeare's play The Tempest ("the watch-Dogges barke, bawgh-wawgh"), through its first modern usage in 1845 in Encyclopedia Metropolitana ("now we feel the necessity for a set of guardian or watchdogs of the state) to a fixed meaning in 1910: "the Chancellor acted as

watch-dog in front of the Treasury." Americans dropped the hyphen to stop the tail wagging the rest of

the word although it was new enough to continue to to wear inverted commas into the 1950s.

British watchdogs have specific tasks, such as Ofgas and Ofwat for utilities, the Securities and Investment Board for financial services and National Audit Office for the public sector. Some are bred from government stock, others are mongrels from consumers and sectors of industry.
Strangely, the less dogginess the

more watchfulness. The problem with the word centres on who is being guarded from what; this is rarely clear, since a watchdog both prevents intruders and escapees. Some so-called watchdogs are thought to have failed to protect the public. So not all watchdogs are necessarily impartial, or independent, according to the Economist (April 30): "The Mollen commission's key point is likely to be the establishment of an independent watchdog to monitor New York's police department." Away from the familiar language of barking and biting, a watchdog can "come under fire" (Telegraph, April 30) or find itself "launched to stamp out abuses" (Daily Mail, April 22). The watchdog metaphor only has a limited linguistic life: loyal dogs are not put down, but "de-recognised". "Lautro is due to be de-recognised as a regulator some time after the PIA is to become operational in July this year" (Financial Times, April 28).

By Andrew St. George

STYLE

Linen without all the tears

Whether the British like it or not, linen just won't go away where fashion is concerned. It's a fabric more often accepted for the bed or table. Its tendency to crease horribly frustrates those who wear it. Yet this summer there is more of it than ever.

There are linen garments of every sort and all prices in the shops this summer. Classic good buys are Racing Green's shirt, in a wide choice of colours and easy to wash and iron, or its £99 linen jacket (by mail order or from the Racing Green shon in Regent's Street). Marks and Spencer do a reasonably tailored linen suit for £100. The three-button double-breasted style, with matching trousers, is similar in look to the top-of-the-range Giorgio Armani version, in cream brown or navy which is a lifetime investment for £1,300. On the continent and in the US. where summers are botter and longer, linen is seen as a godsend - cool, comfortable, natural and

ecologically sound. In Italy, where men in pale summer suits have lunch a casa. it only takes a little persuasion and Mama or the maid will re-press their Armani linen for the afternoon, a service that's almost

inconceivable in Britain. A label in John Rocha's crisp, pale beige, three-quarter length pure Irish linen coat, announcing that the look of the fabric might change after dry-cleaning, is a daunting prospect. But, says David Tothill of London's speciality

dry-cleaners, there is nothing to fear if the job is done professionally. "Beware of thinking you can look after linen at home," he adds, "since it's the reshaping and pressing of the garment after washing (this takes three or four times longer than most fabrics)

which completes the process. "English women don't understand linen like continental women do. It is a luxury fibre, expensive and difficult to care for. It can come alive if it's professionally looked after but wash it yourself and you

could end up with a shiny finish which is hard to reverse." Tothill has another warning. Linen will eventually end up with permanent creasing in areas that always crease with regular wear, and no amount of cleaning or

pressing can alter it. For converts, however, there is nothing like it. Those who appreciate the natural qualities of linen, can ignore the down side. "There isn't a more natural fabric." savs Rocha. UK Designer of the Year. "As the years go by the fabric gets more mature and both the look and feel get better and better. It's perfect for summer.

John Rocha's collection at Liberty, Harvey Nichols, London. Barneys, New York David Tothill's new premises in Harriet Street. 071 245 0205. Collection and delivery service 071 252 0100



Mike Proctor. Perhaps this was just as well. Otherwise crowds might have started expecting him to give them a multiple hundred every time he played, and to break a record a week - not that record breaking is difficult in cricket. Any one of us could have our

o Brian Lara failed, last Fri-

day at Lords, to score his

sixth consecutive century

and thus equal the achieve

ment of Don Bradman, C.B. Fry and

wicket smashed first ball as we fail to scrabble a single and be told, by some Wisden-crazed old buffer in the commentary box, that ours was the fastest run-out at Edgbaston since Bunny Legge-Braike was stumped by the Nawab of Pataudi

A batsman can play a bad stroke at any time and, for Lara, it was perhaps better played sooner than

His development as a cricketer for clearly he believes he will improve - should be a natural process, not forced upon him by the



SPORT: LAURA THOMPSON



Brian Lara: the dream machine

ever-greater expectations of observ-

And yet one could not help imagining how it would have been if he had scored that sixth century, the happy sense of awe that would have united those chilly spectators who

were scattered around Lords. waiting to be entranced. People "want" Lara to do incredible things. His "sudden" emergence has had a miraculous aspect; the best batsman of his generation appeared as if from nowhere, his name scarcely known, his past untrammelled by years of grind, his future free to be glamorous and great

To the English, whose own cricketers seem so shambolic, so wildly unpredictable - if only they'd be bad all the time, one sometimes finds oneself thinking, instead of merely 80 per cent of it - Brian Lara represents a glorious and sim-

ple certainty. There might be an inward throb of pique, in the heart concealed behind the MCC tie, that it is not an English player who is being gloriously and simply certain, Essentially, though, Lara is the type of sportsman that transcends nationalism. It was hard to admire the Pakistant bowlers who, for all their dazzle, seemed full of spite; but Lara smiles politely at each inept ball as he sweeps it towards the sun, and displays a demeanour as impeccable as his cricket. No superfluous aggression communicates itself. Winning seems more like the incidental reward of genius than the

supreme intention. And so it is that, perhaps almost as much as West Indians, English cricket lovers see themselves in Lara. They see in him an under-

standing, as intrinsic as their own, of the game's inexplicable ethos; and they treasure this for its rarity. After all, cricket is antithetical to the late 20th century, which is impatient, restless, egotistical and attuned to the concept of immediate gratification. In cricket the willingness to wait, to plan, to endure, to take a wider view, is just as important as the ability to attack; but today our characters are not formed to win wars of attrition, merely to

larger scheme. But Brian Lara is above, or beyond, all this hysterical modernity: for all his youth and cool, his walked and bowlers did not try to knock your head off. His genius is such that it walks hand in hand with grace. He is, it would seem, that rare phenomenon: a sportsman

With most of them, even the very

certainly. This, though, is what Jack Hobbs another great cricketer, but not in the racehorse class - said about Bradman: "The Don was too good. He spoilt the game because he got hundreds every time he played...I don't think we want to see another

Is there then, perhaps, a perfec-tion that annihilates, that almost frightens because it seems to leave no room for anything more? This is what one sometimes feels watching Pete Sampras, another racehorse sportsman. Yet at other times, one exults in the knowledge that the

zap the enemy as hard and fast as possible. Hence the emergence of the one-day game, which has infused cricket with a vehemence that should only be part of the conduct is of an age when batsman who is totally at ease with his own

greatest, one infers the strains, the sacrifices, the knowledge of the gap that has to be overcome between what nature has given their bodies and what they want their bodies to do. These inferences are a large part of what makes sport fascinating to watch: in them one can read a human drama. Yet occasionally, very occasionally, there will be a sportsman with what is almost the unconscious facility of a racehorse. Jesse Owens was probably such a one; perhaps Pele; Don Bradman,

one like him."

their first two provincial matches and barely won the third, But France did the same last year

New Zealand in the first cricket Test at Trent Bridge. After his ordeal against the West Indian fast bowlers over the winter, Mike Atherton will start his first full home series as England

captain more worried about bouncers from the selection committee rather than on the pitch. New Zealand, for all their youthful promise, are one of the weaker cricket nations. SATURDAY:

and then won the Test series.

Africa in Pretoria. England lost

England's rugby side faces South Andrew Hill assesses the chances of a new venture between Stet and Bell Atlantic of the US

n a country already conducting a passionate love affair with the television and telephone, any venture which tries to put the two together should have a fair

CANAL STATE OF THE STATE OF THE

Watchdog .

o battle

That at least seems to be the view of Stet, Italy's state-controlled telecommunications utility, and Bell Atlantic, the US telecoms group, which last month agreed to develop an interactive multimedia television service for the Italian market.

By early 1996, the two companies hope to be able to offer Italian consumers feature films, on demand, via the telephone network operated by Stet's subsidiary Sip. In due course, the companies will add video shopping, banking, do-it-yourself, and even emergency first aid, not to mantion exploiting commercial applications such as video conferences and training.

"Italy will probably be the first into the [European] market with this capability," says Edgar Brown, president and chief executive of Bell Atlantic International.

Certainly, Italy looks like a prime target for multimedia services. Not only are late 20th century Italians, like their ancestors, hooked on communication, they also seem to take to gadgets very quickly.

"Within Europe it's probably one of the better markets and one of the more receptive to new ideas and new services," says Evan Miller, European telecoms analyst at Lehman Brothers in London.

The classic success story in Italy has been the mobile telephone, or "telefonino" in the Italian diminutive. Whereas in many other European countries, ordinary people would besitate to produce a mobile telephone in public for fear of being either mugged or sneered at, the Italians positively flaunt their "telefonini", and use them not just as tools but as toys. In big cities, it is quite common to see groups in piazza cases passing round the

cellular phone to talk to friends out of town.

Linked to this casual technological ease is a sophisticated television culture, which in some parts of the country feeds viewers as many as 20 national and local channels. One important point for advocates of multimedia is that the diet already includes several cheap, but unavoidable, home shopping channels, peopled by enthusiastic presenters with bizarre sales pitches ("Buy a Persian

carpet, win a scooter!").
For Stet, which is likely to be privatised later this year, and Bell Atlantic, the first step towards realising this potential

is technical. Sip will work with the US group to adapt its traditional copper-wire telephone network to the transmission of video signals, investing an estimated L4,000bm (\$2.5nn).

if Italy eventually wants a fully-fledged multimedia service, certain analysts believe substantially more will need to be invested, but Sip's modest first ambition is for technical tests to take place by the end of this year, and commercial trials – on a group of 2,000 users – during 1995.

It is the strange and volatile liables market, however, which offers the biggest challenge – and carries the biggest risk – for the two companies, which will develop and market the services through Stream, a Stat subsidiary in which Bell Atlantic will take a 49 per cent stake.

managing director, put it after last month's launch: "The technology, although it's demanding and sophisticated, is really the smaller problem. The real unknowns are in the marketing, which is linked to demand and to the capability of operators wanting to back the new medium."

To help conquer the unknown, Stream - which is likely to seek an initial capital injection of L100bn by the end of next month – is already talking to potential partners who could provide "information and programming" ahead of the 1996 commercial launch.

of the 1996 commercial launch.
According to Bell Atlantic's
Edgar Brown, the two main
shareholders are prepared to
accept dilution of their own
stakes in Stream, but will
retain joint control.
Stream's first challenge will

be to lure subscribers into the system with movie services, which are described as the "trigger" for the rest of the system.

Although simple to understand, movies may also prove the most difficult of the proposed services to get right in Italy. Broadly speaking, consumers will be able to choose what to watch frum a library of films or programmes, divided into categories and targeted at particular audiences. More importantly, they will also be able to choose exactly when to

will be tempting enough to defeat rival attractions in the sector. Not only is big-screen cinema already quite a draw for urban Italians, anyone in the country can also watch 8,000 films a year, for free, on the state-owned Rai television channels and their private

The question is whether this

As a measure of the difficulties facing Stream, Telepiù, which launched pay-TV movie and sports channels three years ago, has yet to make money and has attracted 800,000 subscribers, whereas Stet and Bell Atlantic hope for well over a million users.

At the same time, Rai and Fininvest (the media empire built by Silvio Berlusconi, the new Italian prime minister) have amassed substantial film archives and rights, which Stream would be hard-pressed to match unless it could link up with one of the existing conventional channels.

fream could argue that a new medium requires new rules, and pay royalties on the basis of the number of viewers selecting individual films. If that tactic fails, however, and Stream's film catalogue is not sufficiently broad by the time it launches, film-lovers could easily switch back to the conventional channels. The second service to be introduced is likely to be video shopping, and here the US-Ital-

The second service to be introduced is likely to be video shopping, and here the US-Italian joint venture is on surer ground. Already, home shopping via television is said to be worth between L600hn and L800hn a year in Italy, and interactive television would allow customers to complete the whole transaction, from

order to payment, on screen. Industry sources, however, are still convinced that both consumers and companies will have to be eased into the new technology. "I'm not sure that the Italians are prepared to move suddenly to a new [buying] system, instead of touching products or smelling performer," courses."

fumes," says one.

Evan Miller of Lehman
Brothers points out that
Europe has been generally
more cautious than the US in
moving towards multimedia
services. Analysts are in general sceptical about the possibility of a full-scale national
system being in place within
the next few years, but they
believe there is a chance of a
limited service in the most
important cities.

The limited previous experience of Stet and Sip in a similar field means they are likely to be cautious about pushing their customers too hard to accept new technology. Over the last few years, Sip has watched its ambitious Videotel venture – an interactive telephone system similar to France's Minitel – quietly wither away. Stet's judgment is that Videotel was too complicated and the range of services too narrow. That is likely to be the first lesson that Stream learns in setting up a multimedia service.



Bill Cockburn: post has vital role as valet to the new networks

When Postman Pat goes electronic

Even a year ago, an interview with a postal service chief executive on the subject of "media futures" might have seemed laughable. However, Bill Cockburn, chief executive of the UK's Royal Mail, holds forth about the role of his business in the interactive age with all the verve, and much of the plausibility, of today's telecommunications barons

Cockburn concedes that "no letter is safe in the age of the technological postman." But tomorrow's entrepreneurial post office will, he argues, be offering both the postmen and the technology.

His vision combines the

potential of the existing postal service to thrive on the back of technological innovation in other sectors, plus the ability of the postal service to innovate on its own account.

to innovate on its own account Cockburn is sceptical about the pace of the supposed interactive revolution. In the short and medium term, with interactive systems and cultural adaptation in their infancy, home shopping and the like could significantly boost the conventional mail business – through catalogues, extra billing, and so om.

But even when full interactivity dawns, Cockburn sees a vital role for post as valet to the new networks. Home shopping, for instance, is potentially a huge source of new business for those with an efficient home-to-home delivery capacity. "We need to be positioned to take that

Bill Cockburn talks to Andrew Adonis about the Royal Mail's future

He sees a similar evolutionary process in utility billing mail. Ultimately, all accounts may be settled on the screen.

the screen.

Before that, however,
Cockburn sees a lucrative
market in the outsourcing of
billing to single operators
capable of printing and
delivering bills and handling
the payments – whether cash,
paper or electronic. "Who
better than us to do it – we
already have the delivery and
much of the payments
capacity, and are fast

developing electronic mail."
Part of Royal Mail's case for privatisation is the need to break free of government investment restrictions to develop new technology.
Cockburn also wants the freedom to contract joint ventures, at home and abroad, to pool his assets with those of new technological operators.

"We have a lot to offer a partner," says Cockhurn, who proceeds to rattle off the plums on his balance sheet. "We have our own telecoms network, the fourth largest in the country, 16 trains, 70 chartered air services a day, 30,000 vehicles, the biggest residential database in the UK, and 2,000 buildings. Think of the opportunities that gives you." Not to mention an army of Postman Pats.

Any which way you want to read it

Anthony Ridder, president of Knight-Ridder, publishers of newspaper such as the *Philadelphia Inquirer* and the *Miami Herold*, is as certain as anyone can be that the future of the newspaper is secure.

"We have spent a great deal of time studying the issue over the last four years. We think the traditional printed newspaper, improved and with new services for advertisers, is going to be a good solid business for as far out as we can see,"

But at the same time Knight-Ridder, which last year had Newspaper revenues of \$2bn out of a group total of \$2.45bn, is placing a range of each-way bets on technologies that could affect the future of the traditional newspapers.

These projects, backed by spending of around \$10m a year, cover a wider-range of areas than those being persuade by most other newspaper groups. They range from on-line fax and audio text services, through plans for expansion in conventional television news, to the more futuristic portable flat panels that can scroll through newspaper pages and sections and bring the pictures to life with video news clips.

At the Mercury Center, in San Jose, electronic access to Knight-Ridder's San Jose Mercury News is available for \$9.95 a month. Described as "more of a library service" it is carried on the America Online data base, which has 34,000 subscribers in the Mercury's circulation area. Knight-Ridder has 6,500 direct subscribers, but every time anyone else accesses Mercury News information the company gets a fee. The service includes an electronic version of the Mercury News classified advertisements - an important vehicle for staff poaching in Silicon Valley. The Mercury Centre also runs fax and audio services. A subscriber to the audio service can specify a list of interests, such as company results, give a PIN number and receive what are

personalised broadcasts by car phone. In Philadelphia the Branizar is going to launch its own television News Hour with a local station of dedicated television professionals but calling on the 610 Knight-Ridder newsroom staff in the area. If it is a success the aim is to turn out a 24-hour news channel for the 5m people in the area. This is a service which, like the Mercury Center, could be replicated in other cities where the company has a major daily newspapers.

"Our feeling is that we need to be

"Our feeling is that we need to be involved in the video business," says Ridder, "partly to generate moving pictures for the flat panel being developed Anthony Ridder believes there's still a future for traditional newspapers. But just in case he's hedging his bets, writes Raymond Snoddy

at the Knight-Ridder Information Design Laboratory in Boulder, Colorado." Ridder believes that on-line data bases are fine, but that people like headlines, and prefer journalists to make judgments on the relative importance of stories.

rather than simply offering relatively undifferentiated lists of information. By the end of this year an electronic version of Knight-Ridder's Journal of Commerce, a daily specialising in transport and trade issues, will be available to Personal Computers in a newspaper

normat.

Hidder believes the portable flat panel as a commercial product is still probably five years away.

He reckons that when the flat panel is fully developed he will be able to plug it into a hotel telephone socket overnight and take delivery of the full electronic text of his daily reading - the Mami text of his daily text of his daily text of his daily will be able to dick on a sports picture and get a two-minute video of highlights.

Roger Fidler, the Knight-Ridder executive behind the flat panel development, believes that by the year 2005 in the US such flat panels could overtake PCs as a method of obtaining information.

Just is case he is wrong, he is pushing ahead with more conventional newspaper developments, such as home delivery of information for advertisers to non-newspaper subscribers, producing specialist publications aimed at particular areas or demographics, and even creating consumer events such as the recent Women's Show in Philadelphia. This attracted more than 20,000 people.

As he keeps a close watch on all his

each-way bets, he emphasises that every

day in America "62 per cent of all adults read a daily newspaper - 69 per cent on

Sunday - and that has not changed during



Ridder: "we need to be in video"

Sharper TV coverage heaves into view

By Raymond Snoddy

The television pictures transmitted from the decks of heaving yachts during the Whitbread Round the World Yacht Race may not have completely satisfied the most fastidious engineer. But they were as near broadcast quality as makes no difference.

The Yacht Video System meant that for the first time broadcasters could receive news clips of life on board the competing boats, even when they were far out at sea.

Last week Craig Woolf and David Tilson, the two engineers who put the operational system

together in British
Telecommunications'
laboratories, received a Royal
Television Society's
Technology award for their
achievement.
BT initially planned the
Yacht Video System as a

demonstration and promotional exercise. Now it is starting to see the business potential. The system could be used by broadcasters for transmitting pictures from a moving vehicles in remote terrain. Cruise lines are also showing interest in using the system in reverse to deliver television news bulletins by satellite to ships in the middle of oceans.



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FT. Because business is never black and white

PCs to shake off dunce's image

By Alan Car

The days of the humble television set are numbered. Within a few years, it will be supplanted in the home and office by the personal computer – albeit in modified form – which is set to become the principal vehicle for the multimedia revolution.

Who says so? Bill Gates, head of Microsoft, for one. He predicts that homes will soon have at least two PCs capable designations multimedia containing.

East, shorn of its a large control and boasting a large control live in the lounge. It is a large sound, text and control and the service will be interactive — video on languari or three dimensional computer games are typical

crampies.

Their digressiff be a device in your den to when you want to browse his biopping or do your personal finances. You will sit less han a metre from it and it will have a keyboard

and a superior ability to display text," he says. Gates' plan is that Windows, the operating software that has been a principal key to Microsoft's position as software market leader, will control both these PCs.

control both these PCs. The drawback to date however, has been that PCs, sharp though they are at arithmetic, are pretty much dunces where it comes to displaying video images. They are simply not designed to handle or store the sheer volume of information contained in a moving picture. Thus, video sequences in multimedia presentations are limited to a postage stamp sized area of the screen. Any attempt to enlarge the image

and nicenty.

Now, Videologic, of Kings
Langley on the outskirts of
London, claims to have an
answer to the problem. It has
developed a set of silicon chips
capable of taking digitised
video images and displaying
them on a PC screen – full

causes a sharp loss of quality

size, offering cinema quality motion and fully compatible with Gate's Windows. And the cost of the chips should be no more than \$25 in quantity in other words, chips for a mass market.

The company's claim should be taken seriously for a number of reasons. First. because it is already the world leader in an earlier form of PC video. In 1988 it developed chins which overlaid video pictures on a PC screen, by ssing the central proc and memory. The new chips, however, mix the digits representing video, text and graphics in the computer's emory, something Videologic says, no other company has yet accomplished.

accomplished.
It is a cheaper solution and it makes it possible for the computer to manipulate any part or aspect of the video picture, something that was impossible with the earlier technology.

Second, because it has some

very powerful partners

including International
Business Machines, the world's
largest computer
manufacturer, British Telecom
and Motorola, a leading US
semiconductor manufacturer.
Its agreement with IBM covers
the joint design, development
and marketing of multimedia
products. Videologic has,
however, retained its
intellectual monerty rights.

intellectual property rights.

Third, because the company already has a raft of blue chip customers, including Microsoft the Bank of England, Deutsche Bank and the John Lewis Partnership.

According to Derek
Maclaren, chairman, the

Maclaren, chairman, the company has a six month lead on the competition protected by patents, knowledge and an adherence to industry standards others have yet to emulate. The concepts are difficult to grasp, especially for a consumar product, so Videologic is seiling its flagship product, "928Movie" as a way of speeding up Windows graphics with, it says, "multimedia for free".



BUSINESS TRAVEL

Spanish strikes

week series of strikes in its public seen. There

Wednesday, and a sul strike in Madrid and on Thursd The rail strikes are in ns to restructure company, is due to be split into separate

ices of 14,500 John

Pollution in Athens The Greek government is:

car access to central Athens in an effort to reduce air poliution. The environment ministry has sald it would ben all cars from a 13 sq ion area in the heart of the city between 7am and 8pm. Last Wednesday, when the :: termoerature.hit 38°C (100°F), pollution is reported to have eached hazardous levels.

Moscow crime fails Crimes against foreign scow have fallen, according to the Ruse capital's police force, te and visitors are uning to be more careful

head of Moscow police's said there were 464 registered cases of crimes against foreigners in the first four months of this year, 208 of them on the with 525 incidents in the

Swiss departure tax The Swiss government has approved increases in decerture taxes at the country's two biggest airports, writes lan

Rodger in Zurich. As in so many other things, the old Swiss joke - "they do it differently in every cention" applies. At the moment. departure taxes for international lights range from SFr10 (£4.80) in Lugano to SF112 in Bern, SFr12.50 in Zurich, SFr13 in Geneva and SP15 in Basie. From November, the tax at Geneva will rise to SFr14.50 and that at Zurich to SFr14 and by July 1 1996 both will reach SFr15.50.

Romanian passports Homania last week started to lesse what it claims are the most high-tech worts in Europe, with abat forgery. The new passports should be issued nationwide with

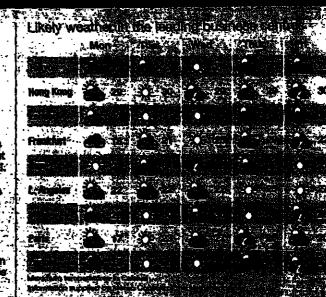
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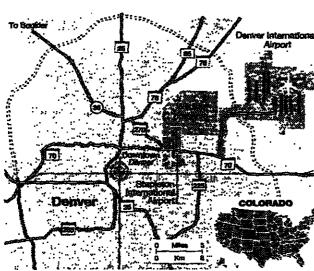
the fall of the co

Diplomatic couriers UK diplomatic couriers, who have even eater dispatches to avoid them reaching enemy-hands, may fall victim to cost-cutting and modern

technology.
The Queen's messangers, who travet the world delivering secret documents in briefceses chained to their wrists, were set up 500 years ago by Richard III: But their numbers could be trimmed under a Foreign Office budget review, officials said on

The 26 couriers, who travel 250,000 miles (400,000 lany a year between them, are becoming an anachronism in an can do the same lob in





Lost luggage leads to Denver delays

Denver's new airport, topped with white Fibreglass cones in imitation of the Rocky Mountains in the background, continues to lie empty. It was due to open on May 16, but was delayed ~ for the fourth time by glitches in the high-technol-

ogy baggage delivery system. The new Denver International Airport, with a runway that will be able to handle 99 aircraft arrivals an hour in bad weather – as many as the city's 64-year-old Stapleton airport can cope with on a clear day — is eight months behind schedule and \$1bn over date.

When its opening was postponed again this month, city officials decided not to set

another target, saying only that the airport would open when the computerised baggage handling system - the most sophisticated and complex of its kind - had been sufficiently tested and proved operational.

The system, which has cost \$194m. has 21 miles of tracks that snake through the airport, carrying bags in 4,000 individual containers. Bar codes on luggage labels tell the system the bags' destinations. But the system relies on human co-operation: it keeps going awry when luggage is loaded with the labels face down or otherwise obscured.

Planes, trains and tunnels

Paul Betts on UK airlines' response to the new Channel crossing

gearing itself up for increas-ing competition next year on short-haul European routes from high-speed rail services through the Channel timnel.

British Airways plans to revamp its Club Europe business class services later this year, and is launching new services from London to Orly, which, being south of Paris, offers a competitive alternative to high-speed trains. British Midland also plans services to Orly from September, and to launch new routes to more distant destinations in Europe which will not compete directly with the tunnel.

But one airline has decided that, if you cannot beat high-speed trains on shorter routes, then join them. Mr Richard Branson sees the new network of high-speed train services linked to the Channel tunnel as a chance for his Virgin group to expand its travel business in Europe.

"We see high-speed trains as complementing our Virgin Atlantic longhaul airline operations," says Mr Branson. "We have no intention of expanding in the short-haul European airline business, but trains would give us a big foothold in the market."

Mr Branson will join forces with one of the five consortiums bidding to build the fast rail link from London to one in the next three weeks. The winning consortium will run the UK end of the joint venture with SNCF, the Laurie Morse French railway company, operating

The UK airline industry is Eurostar trains through the tunnel. Mr Branson wants to extend his Virgin Atlantic airline formula of "comfort and fun" to the proposed rail services. He plans to introduce individual seat video screens, and equip trains with telephones and faxes.

His recent investment - to manage jointly with Shirayama Shokusan of Japan the £150m hotel development on the site of London's old County Hall building, near Waterloo station is also linked to his Channel tunnel ambitions. "County Hall is next to the new Channel tunnel London rail terminal, and will make an ideal base for our long-distance air travellers to connect into the Eurostar rail network,"

Virgin Upper Class air passengers would be driven by limousine from Heathrow airport to spend the night at County Hall, before travelling to the continent by high-speed train the next day.

British Airways, however, believes that, while the tunnel will have short-term impact, in the longer term it will expand the overall travel market for both airlines and trains.

Sir John Egan, chief executive of BAA, the UK airports operator, also expects only a modest impact. "Most business travellers start their journevs from home to the airport. If they still find it more convenient to go straight to Gatwick or Heathrow rather than travel to the city centre to catch a Channel tunnel train."

Gateway to Palestinian contracts

The shaded, walled courtyard of the American Colony Hotel, in Arab East Jerusalem, is the starting point for foreigners who want to do business with Palestinians in the West Bank. It provides a good base, because Palstinians do not like to cross into the Jewish side of the city. However, if you also plan meetings on the Jewish side, be warned that many Israelis see the Colony as a hotbed of Palestinian

"terrorism". By far the best hotel on the Arab side of the holy city, it serves traditional Arab and international cuisine

throughout the day. From the Colony you can easily travel to the commercial centres of the West Bank - Ramallah, Nablus, Jenin and now Jericho - all of which are within an hour's drive of East Jerusalem. Jericho, which is in the process of becoming the administra-tive capital of Palestinian self-govern-

ment, will soon be an essential place for any foreign businessman to visit. Travelling in the West Bank can be dangerous. Cars with yellow Israeli licence plates are often targets of stone-throwing youths, who assume the drivers are Jewish settlers. The best way to travel is in an Arabic taxi, which has different coloured licence

plates and signs in Arabic. If you want to rent a car, go to Petra Rent a Car, in Shufat, which will deliver it to your doorstep and give you a mobile telephone if needed. Although most of its cars have yellow plates, they have big stickers on their stone-throwers. Another sensible precaution is to buy a Palestinian kefiuah - head scarf - and drape if over vour dashboard.



Kat Main square, Jericho: the town will soon be on every business visitor's schedule

Having an Arabic fixer/translator is essential, although most Palestinian businessmen speak good English. A fixer can set up meetings, negotiate around a roadblock, and give a fla-vour of the political and religious sensitivities that infuse discussions in the Holy Land. He can also accompany you on a tour of the Old City. where otherwise you are almost certain to be fleeced by merchants in the

Most places in the West Bank accept dollars, Israeli shekels and Jordanian dinars. You can get a slightly better rate for foreign currency at money changers in East Jerusaiem. Many foreigners use Nabil Freidy on

high street. Doing business in the Gaza Strip is more difficult. After years of repression. Gaza has become a deeply con-

servative and islamicised society. Travelling with yellow licence plates almost guarantees that you will be stoned. To get into Gaza, leave your car at the Brez checkpoint and transfer to a car with white plates. There are several taxis just past the checkpoint, but most of the drivers do not speak English. It is better to arrange a car with a translator beforehand.

Many new hotels are being developed in Gaza, especially on the sea front where a cool breeze blows off the Mediterranean most nights. Many foreigners, however, prefer to stay at Marna House in central Gaza. Many important politicians and businessmen show up here in the evenings,

Julian Ozanne

PEOPLE

No longer shooting for the moon

Daniel Goldin tells Guy de Jonquières how Nasa is taking several steps for America

aniel Goldin, administrator of the US National Aeronautics and Space Administration, enters the room rather the worse for wear. The head of the organisation which sent a man to the moon is nursing multiple fractures after an accident on his preferred mode of transport - a racing blcycle.

Yet despite refusing to take pain-killers, he is in fighting form. Within minutes, he is punching away at a favourite theme: the ills of modern society, in which a search for self-gratification has cramped horizons and sapped the urge for adventure and discovery. "Our society demands instant results. We eat instant food. We have instant entertainment and we demand instant financial results. When you demand instant financial results, there is no room for risk or failure. That's the fun-

damental problem I see today. Where is new wealth going to be generated if we don't take risks? "The key thing is not to be afraid of risk. There are so many prophets who sit in the wings waiting for someone to fail. And you know what they do? If there's a failure, they come in and say: 'By God, let's punish that failure'. And

guess what happens - you get mediocrity in society. That is where Nasa comes in. Its willingness to embrace risk by advancing the frontiers of technology and backing projects with a long-term economic payoff, he says, is one of the few ways in which American society can invest in its collective future.

Recently, however, this uplifting vision has encountered obstacles. Not only has enthusiasm for space missions continued to wane in the US, but two years of fiscal austerity have reduced Nasa's annual budget by 30 per cent in real terms to \$14.5bn. "We can't get any

closer to the bone," Goldin says. Still, a lot of fat needed to be cut. Since the 53-year-old Goldin was recruited two years ago from TRW, a leading US defence and engineering company, he has been widely praised for shaking up the management of Nasa's flabby bureaucracy and controlling costs more tightly.

He is also shifting expenditure from showpiece space missions into projects promising greater commercial spin-off. That is in tune with President Clinton's drive to increase government support for industrial high-technology research and helps explain why Goldin is one of only two federal agency heads to have survived from the Bush administration. Though Nasa has generated many

valuable spin-offs - such as "error-fre computer software - they have until now been largely chance by products of its larger space programmes. In future, the agency will focus more on specific three-to-five-year research projects, often in partnership with industry. The aim is to develop generic "break-through" technologies, which could spawn a string of specific industrial

They include work on robotics, artificial intelligence, and environmental technology. One of the most promising is satellite remote sensing - using satellites to capture vast amounts of data about the earth's surface which could be used in everything from agriculture to environmental planning, "The whole remote-sensing industry is worth about \$1bn a year today. We think we could activate that to be worth perhaps \$10bn a year," says Goldin.

His biggest - and most controversial move has been to commit substantial resources to supporting the civil aircraft industry. Such support has not been an explicit goal of federal policy since Congress vetoed research funds for a Supersonic Transport aeroplane in 1971, its planned response to Concorde. When that decision was taken, I was

despondent about what my country did and excited by the Europeans' boldness in taking risks on Concorde," he says. Yes, Concorde cost money, but what a feat! It defined Europe as a society. I

salute the Europeans. Getting the US back in the race involved interminable, and often heated, negotiations with industry and government, and a grass-roots lobbying campaign which took Goldin to public meetings around the country.



The results are joint research prorammes with US manufacturers into a High Speed Civil Transport (HSCT), a supersonic passenger jet, and an Advanced Subsonic aircraft, both expected to enter service early next century.

Nasa's contribution of about \$2.5bn over five years will cover a third of the total cost. The rest will be paid for by industry, much of it in the form of services to the agency.

The research includes cleaner, less thirsty and quieter engines, more efficlent aerodynamic designs, new materials and improved safety systems. Goldin hopes that by the end of the decade, the technologies will have been proved in the laboratory and will be ready for industry to turn into products.

Building the HSCT will, he says, require an international consortium of manufacturers because the market is not big enough to support two rival supersonic aircraft. The Issue is how it will be controlled and led. "Will it be from Europe or America? Generally, the way the world works is that the corporation or country with the superior capability and technology can provide the leadership."

The recent scale of US efforts to ensure that it calls the shots has unsettled Europe's aircraft manufacturers, which have launched their own feasibility study into a supersonic aircraft to succeed Concorde. They and EU trade negotiators are

also pressing, against strong US opposi-

tion, for stricter international curbs on

civil aircraft subsidies in which would be included Nasa support, on the grounds that it threatens to distort

Goldin rejects the charge. He condemns European subsidies to Airbus, and insists Nasa funding of the US aircraft industry is different because it stops short of production. "This is not ugly, unfair competition. This is won-derful stuff," he growls. "I compete with everyone, including myself."

Nonetheless, the risks Nasa is taking are paid for with taxpayers' money. "So what? Look at the mediocrity in the world. Look at the state of industry ... if we don't make bold moves, where are the new jobs coming from? You tell me.'

But would it not be more efficient to pool transatiantic HSCT research by, for example, inviting European manufacturers to participate in Nasa's programmes? No chance, says Goldin: "I am flercely competitive in defence of America. It's written in my genetic code." He recalls that one of the first questions he asked after moving to Nasa was who its customers were. "I sat down with our staff and we did an analysis. Clearly, our customers were the American people.

They own this programme, but they had been separated from it for a long time because Nasa was focusing on beating the Russians. But in the new world order, after the Berlin wall came down, it was clear that we had to serve the American public."



Gilbert to spearhead Biogen's move into Europe

Biogen, one of the biggest of the US biotechnology companies which is based in Cambridge, Massachusetts, is increasing its presence in Europe and appointing Alain Glibert (right) as its first European vice-president, writes Daniel Green.

Gilbert, 46, will be building a European sales organisation to promote two of the company's drugs: Hirulog, an anti-blood clot drug, and beta interferon, in late trials for the treatment of multiple sclerosis. Gilbert, a French citizen, will be based in Paris or Brussels: the company will decide in the next few days which of these two cities will house its

European headquarters. Gilbert joins Biogen from ldexx Laboratories, a Portland, Maine, biotechnology company specialising in veterinary products, where he has been president of European operations since 1990.

Between 1987 and 1990. he was president of operations in Europe, Africa and the middle east for Medironic, the US pacemaker and heart treatment device supplier. Before that, he worked for US drugs company Abbott Laboratories in sales and marketing where he became general manager of the Aids and hepatitis diagnostics

The European appointment not only marks Biogen's expansion into Europe, but also its determination to move beyond licensing out of its products to drugs companies into sales and marketing on its own behalf.

Gilbert says the structure of the company would be centralised with all main decisions taken at the headquarters. Sales and marketing people would be



recruited in other countries and he predicts that within nine months the company would employ 100-150 people in Europe

Biogen's other investment in Europe, a research centre in Bracknell, west of London in the UK, would increasingly focus its activities on the European market, he said.

de Raad to promote quality

The European Foundation for Quality Management, a non-profit association created in 1988 by 14 of Europe's leading companies and today backed by more than 320 corporate members, has a new secretary general, writes Tim

He is Geert de Raad, a Dutchman who took over the reins of the from John King at the

beginning of this month. EFQM's role is to promote the business idea known as total quality management, a philosophy which puts ustomers and employees at the centre of a company's thinking. With the support of the European Commission and the Europea Organisation for Quality, EFQM in 1992 launched an annual award which recognises the best

European exponents of TOM. De Raad, who has an MBA from Northeastern University of Boston, faces the challenge of trying to spread the TQM "gospel" to a wider and sometimes sceptical European audience. He was previously responsible for the plastics business of Royal Nijverdal-Ten Cate which included 10 companies, employed 2,900 people and boasted Ecu350m of turnover. As corporate director, he was

in charge of all acquisition activities, technology

eft bas faeragoleveb group-wide implementation of TQM. He joined the executive board in 1990 and subsequentiv became a corporate vice-president

Pettersson's auspicious move on paper

Pettersson looks to be timing his leap from one pillar of the Swedish pulp and paper establishment to another rather well, writes Christopher Brown-Humes. He will be leaving Stora to take over as MoDo's chief executive on August 1 with at least two favourable developments as

a background. First, MoDo's fortunes are on a clear woward trand: last week it announced its first quarterly profit for three years. Second, and perhaps more important, MoDo has recently resolved a long-running ownership battle which froze much decision-making for many months. It certainly helps that

Pettersson does not come

from SGA, the Swedish forestry group which was the losing party in the struggle. Pettersson is a respected forest industry manager, if little known outside the sector. He has strong credentials for the job, having been in the pulp and paper business for 28 veers - "quite a few cycles" as he puts it. For the past sh vears he has been managing director of Stora's packaging division, Billerud, which fared better than most of the

company's operations in the industry downtum. Observers expect Pettersson's style to be different from that of Bernt Löf, who steps down after nine years as MoDo's chief executive. Löf's bullish industry prognoses, again in evidence ast week, didn't always go

down too well with analysts. Pettersson is coy about his immediate priorities. But high on his agenda will be the fate of Modo's packaging division, effectively earmarked for sale following the company's decision to concentrate on newsprint, fine paper and board. He may even question whether MoDo has the resources to develop as many as three core areas given increasing competitive pressures. Few would be surprised if he opts for an alliance or disposal in due

t was an event which defined an entire generation. For three days in New York State,

half a million students, antiwar protesters and all-purpose hippies congregated in a field for three days of music, mind-alter-

ing substances and muddy may-The 1969 Woodstock Aquarian

shoe-string idealism of a small group of friends, became synony-

stage the definitive 25th anniver-

sary celebration of the Woodstock

festival, these two qualities are lit-

Where there was once just a

group of friends behind the festival,

there are now corporate backers and slick professional promoters.

Where there was a \$500,000 budge

and an entry charge of \$18 (that hardly anyone paid), there is now a

joint budget of \$26.5m and a likely

Where there was a modest record

and film contract, there are now substantial record, film, television,

and merchandising contracts.

Instead of a few patrolling Hell's

Angels, the occasional food vendor and endless traffic jams, there will be an eight-foot high fence and an

army of security guards, conces-

sions stands, cash machines, porta-

In one camp, Woodstock '94 is being put together by the three men

who organised the original event,

Michael Lang, John Roberts and

Joel Rosenman, Although the trio

went their different ways after 1969, Lang remained in the music busi-

ness, promoting acts like Joe

Cocker and Rickle Lee Jones, while

Roberts and Rosenman evolved, like

numerous former hippies, into Wall

Through their Woodstock Ven-

tures partnership, the trio are

organising a two-day rock festival

on August 13 and 14 in Saugerties,

about seven miles from Woodstock

Street investment bankers.

campaign.

entrance charge of \$120.

loos and park-and-ride.

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THE RESERVE

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Royal Academy Se Once it signalised the start of the London season and it remains a social event of a very English sort. The Surrener Show, in which members of the public are invited to contribute up to fixee works of art for exhibition alongside Royal Academicians, has been held annually since 1769. This year there were 13,000 entries paintings, sculpture and architectural designs. A final 1,300, among tham The Bethers (pictured below) by Big Jacklin RA, were selected. After a week of private vic



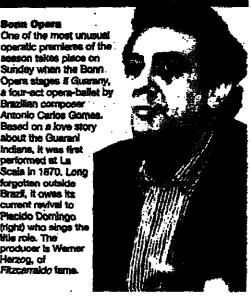
Marking its return to Covent Garden after its American tour, the Royal Ballet revives Anthon Dowell's production of Don Quinote. Sylvie Guillem. is, according to our dance critic ment Crisp, "trapped aboard this Trianic of the denot: she may have the wit to find the only belt." Performences, all with Mile Guillem, tonight, Wednesday and Saturday, Ba York will be at the State Theater for New York City Ballet, Tonight in Paris, the Opera Bastille hosts

The spirit of carnival and tropical Saha comes to London on Wednesday when the origine Tropicalia musicians, Giberto Gil (right) and Chetano Veloso, are rounited for the first time in 20 years at the Royal Albert Hall. loined by Gal Costa and Caetano's sister Maria Bethania the Doces Barberos the

four greet Bahlens) will perform elongaide the 50 drummers and denoers of the school of Samba in an climax to the Braziliert Contemporary



Sunday when the Bonn Opera stages & Guarany a four-act opera-ballet by Brazilian composer Antonio Carlos Gornes. Based on # love story about the Guerani Indiana, it was first performed at La Scale in 1870, Long forgotten outside Brazif, it owes its current revival to Placido Domingo (right) who sings the title role. The producer is Werne Herzog, of



The Lodger/Alastair Macaulay

Pleasure lies in mystery and moral ambiguity

landlord asks his prospective lodger for her refer-ences. She asks him for his. Who is to know who is safe with whom? No one. In Simon Burke's play *The Lodger*, at the Hampstead Theatre, both landlord and lodger use each other. He, Wise, comes to think he is in love with her - but only after he has fetish-ised with her bedclothes and underwear. She, Lois, comes to regard him as the nicest man she knows -but she only makes advances to him when she needs to make up for being unable to pay her rent.

Subsequent developments are more shocking. Lois uses Wise's flat as a brothel; Wise, on discovering, beats her senseless. The pleasure of following The Lodger, though, lies not in its plot but in its mystery and moral ambiguity. Lois has lied to Wise about her work, but then she is a reluctant whore; she is manipulated by her pimp/lover Pollock. Wise has lied to her about working in the CID; but then he is pathetically anxious to attract some woman to relieve his loneliness. His best chum is his police colleague Reed, with whom he can discuss his needs; Lois's only chum is Pollock, who uses her repulsively. Which pair is preferable?

Every man in The Lodger uses Lois, and the play sets up quite a range of misogynies. Most overt and chilling, Reed to Wise, after a few drinks: "Pity we're not queer...A quick shag after footie...I can't see the point in women." And yet nice twist - Lois refuses to see the world as men vs. women. Though she resists Pollock's control over her, she defends him from Wise and Reed. They are cops (corrupt and ment, especially after recent headlines): Pollock and she. she insists, are just perpetual social vic-

The Lodger, which won Burke the 1992 Mobil Playwriting Competition for Manchester's Royal Exchange Theatre (which performed it earlier this year), holds the attention easily for just over two hours. At its best, the dialogue has the menace and suspense of early (pre-1968) Pinter. It includes several glib jokes that amuse without developing the play. (Lois about Wise: "He's not that bad. He doesn't go round closing hospitals or anything.") The play disintegrates, however, as its several mysteries are elucidated. We are all p.c. enough to applaud Lois's

been explored in depth. The performance, however, is excellent, apart from two of the most unconvincing stage slaps I

have ever seen. The director,

Tichard Wilson (yes, he of One Foot in the Grave and The Weekend). hangs tension in the air from the very first moment. He and his designer, Julian McGowan, create several dark scenes, turning limited space to claustrophobic advantage. space to classifications are full of meaning and are full of meaning and suggestion Amid a good cast, Julia Ford and Philip Jackson, as Lois and Wise, perfectly control the ambiguous lights by which we see

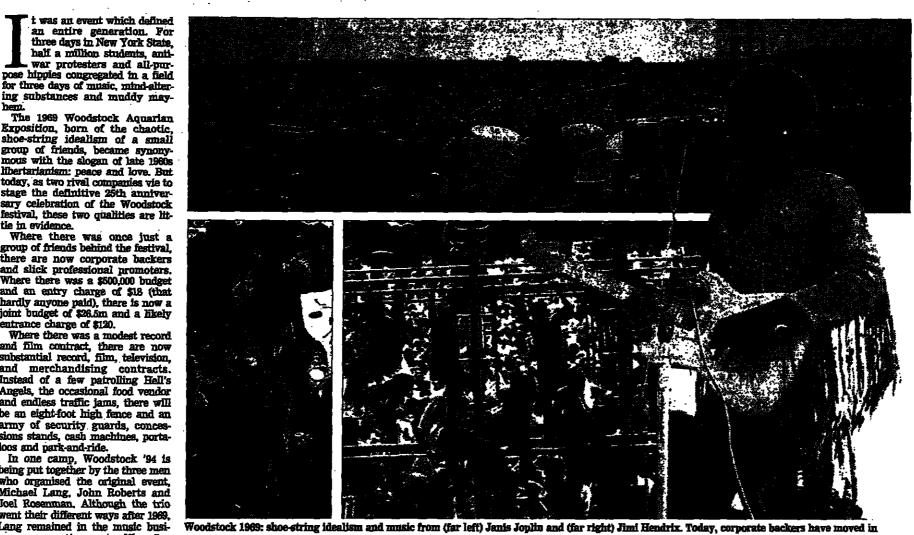
nyone seeking civilised entertainment in Covent Garden should fall into the Donmar for the next week or so where Maria Friedman is appearing "by special arrange-ment", writes Antony Thorncroft.

The "special arrangements" are the settings to her songs. Friedman asked leading musicians to come up with new ideas to pep up cabaret standards. So just as you settle back for the soothing familiarity of Bern-stein's "Something's Coming" from West Side Story you get challenged by discords from Jason Carr's arrangement which suggests, rightly enough for the young leads, that what is coming is best avoided.

In practice Friedman is such a strong performer - quirky face; blistering voice; confiding personality that you hardly notice the new garments. Also her choice of songs -two yearningly sad Yiddish compositions from the Vilna Ghetto; lots of fairly rare Michel Legrand - lifts her performance out of the comfortable rut of most cabaret. The spunky arrangements from Jeremy Sams, Jason Carr, and more, are a

Although it is a pleasure to come across such novelties as a lament from a little girl swallowed by a bear. I could have done with more Broadway and less Brel. Making something of "If you go away" is meat and drink to any half decent late night chantense, but discovering the panazz in that most populist of all Cole Porter songs "I happen to like New York" is a real achievement. Of the moderns Sondheim comes out best: his work always seems sharper delivered up front and solo than from the wide open stage. Perhaps Friedman's greatest coup was converting Elton John's "Sorry seems to be the hardest word" into a sophisticated, heart

wrenching, threnody, So a happy two hours. Excellent band, too. The best is left for the encore: a wonderfully defiant "Broadway Baby". Someone should book Maria Friedman's ticket



Peace and percentages

Patrick Harverson reports on rival bids to hold 25th anniversary celebrations of the Woodstock Aquarian Exposition

town, and expecting an audience of 250,000. The partnership is backed by the financial muscle of Poly-Gram Records (which is supplying the \$19.5m budget), top rock promoter John Scher, concert promofrom Woodstock town proper). The veteran US music promoter who tion firm Metropolitan Entertainbrought the Beatles to America. ment, and a slick public relations Remstein ironically, has no connec-The suggested line up of musition with the Woodstock of 1969.

cians - Aerosmith, Metallica, Although he was in the music Soundgarden and Guns N' Roses business at the time, he was some way removed from the hippie culreflected a festival appealing not to the 40-plus participants at the original Woodstock festival but to ture, booking acts like Tony Bennett and Sarah Vaughan at Carnegie Hall. A likeable, avuncular the current 17-25 year old generafigure who schmoozes like a Broadtion of pop music fans. While John Scher says the choice of bands is way talent agent in a Woody Allen timely, "because today's music and movie, Bernstein runs the Bethel '94 organisation from his Upper East culture, energy and excitement Side apartment. Eight years ago, he recall the mood of 1969." some vethad a Damascene conversion when, erans of the first Woodstock are not as he tells it, he visited the site with entirely convinced that inviting the his family and was so moved by the nihilistic – and sometimes downright nasty - bands of the Nineties nowerful memories of Woodstock shadowing Max Yasgur's farm that to a rock festival is the best way to he became determined to put celebrate the spirit of the Sixties. Sid Bernstein's anniversary celetogether a show to mark the event's quarter century anniversary. He bration, however, is an unas describes it as a "mystical, magical edly nostalgic attempt to recreate place - almost like the Holy Grail." the mood of the first Woodstock for

Woodstock. He has already booked several surviving Woodstock artists including Richie Havens, John Sebastian and Melanie (other key players like Jimi Hendrix, Janis Joplin and Keith Moon subsequently died of drug overdoses). Bernstein also plans to book non-Woodstock acts like Fleetwood Mac. James Brown and Ray Charles: all reflecting Sixtles nostalgia and appealing to the older generation of the CD buying public.

ernstein has yet to receive final permission from the town of Bethel to hold his concert, and there is some doubt as to whether he has the money to stage a festival for 80,000 people. The \$7m budget, he says, is being provided by a "group of doctors and professional men in the Philadelphia area," and an anonymous group of Wall Street investors. Bernstein hopes those attending

His event will occupy the original (the Woodstock name is owned by site of the festival, Max Yasgur's the Lang triumvirate) is to present non-perishable foods that will be farm in Bethel (actually 50 miles many of the acts who performed at given away to charity. When the liked to have seen more of an concert ends, he plans to give everyone a seed to plant in their gardens or neighbourhoods as a symbol of hope and new life. "This is the tone we're setting for our concert. The Woodstock generation was about peace and love, but we haven't had much peace and love in this last

> So far, the sympathies of Woodstock veterans seem, if anything, to be with Bernstein's less ambitious Bethel '94. "For people who were at Woodstock, part of the charm of going again is to see how a lot of the old bands have fared," says Mark Newman, a musician with the New York rock band Tao Jones, who has fond memories of losing all his clothes at the first Woodstock. "If they're going to have a lot of new bands and cater to a new audience, it's not really a 25th anniver-

Scott Wein, a hippy-turnedmortgage broker who attended the original festival has similar doubts.

attempt at a recreation of Woodstock. How can you call it Woodstock and have Guns N' Roses? The organisers of Woodstock '94

appear sensitive to these criticisms. Having originally said that the festival would feature Guns N' Roses a heavy rock band whose ethos is about as far removed from "peace and love" of the Sixties as is possible - it now seems unlikely that the band will appear. erhaps Scott Wein best

sums up the frustrations many Woodstock veterans feel about this summer's celebrations. "I don't resent people trying to make money - this is America. But if you're going to exploit Woodstock, I feel it will only be fair if you try to remember Woodstock for what it was. I don't want my kid going. then coming back and saying: 'Shit, that was Woodstock? What was the big deal?"

INTERNATIONAL

an older, more affluent generation.

BERLIN

CONCERTS Seiji Ozawa conducts the Berlin Philharmonic Orchestra and Ernst Senff Chorus tomorrow and Wed at the Philharmonie. The programme is devoted to Berlioz's La Demnation de Faust, and the soloists are Waltraud Meler, Vinson Cole and Sergel Leiferkus. The orchestra's Faust series continues on Sun and next Mon with Schumann's Scenes from Faust, conducted by Claudio Abbado (2548 8132). Tomorrow at the Schauspielhaus, Marcello conducts the Orchestra of the Deutsche Oper in works by

Renata Scotto gives a song recital on Wed at the Deutsche Oper.
Repetaty includes Don Glovanni With Starrill Willness and George Whyte's new Desytus opera, with music by Swiss composer Jost Meler (341 0249). The Staatsoper unter den Linden has Giselle, Der

Freischütz, Tosca, Paul Dessau's opera Die Verurteiling des Lukulius and Roland Petit's ballet Dix (200 4762/2035 4494)

Bernstein's plan for Bethal '94

NEW YORK

THEATRE Broken Glass: set in New York
In 1938, Arthur Miller's latest play is a short, discursive but compelling study of paralysis in the face of is (Booth, 222 West 45th St,

239 6200) Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200) Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika played on separate evenings (Walter Kerr. 219 West 48th St, 239 6200) Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782) All in the Timing: six sparkling short plays by David ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239

6200) She Loves Me: the 1963 Bock, Hamick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks

Atkinson, 256 West 47th St, 307 Carouset: Nicholes Hytner's bold, beautiful National Theatre

production from London launche Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200) DANCE/MUSIC

Metropolitan Opera American Ballet Theetre's Spring season ends this week with performances of La Sylphide and Giselle (362 6000) State Theater New York City Ballet's Spring season runs daily except Mon till June 26, with choreographies by Balanchine, Robbins, Marlins and Tanner. weral evenings are devoted to The Diamond Project, featuring new neoclassical ballets by Utysses Dove, Richard Tanner, Robert LaFosse and rule other choreographers (870 5570) Avery Fisher field This week's New York Philhermonic concerts are conducted by the orchestra's music director. Kurt Masur. Tomorrow's programme is entitled American Eccentrics, with music by fives, Ruggles and others. Thurs: symphonies by Mozart and Bruckner. Fri: Mahler's Ninth. Sat: world premiere of Ned Rorem's new Concerto for cor angless, plus works by Strauss and Beethoven (875

JAZZ/CABARET Modern Jazz Quartet begins a four night-run tonight at the Blue Note. This stalwart quartet stands at the intersection where bop and the blues meet classical, and there's nothing stuffy about it (131 West 3rd St near Stidth Ave., 475 8592)

 Andrea Marcovicci is in the midst of an Irving Berlin tribute at Algonouln Hotel, mixing some rarely heard pieces with classics like Cheek to Cheek (59 West 44th St.

840 6800) Vernal Bagneris offers a substantial tribute to Jelly Roll Morton at Michael's Pub, where Woody Allen continues his lob as clarinet player every Monday (211 East 55th St, 758 2272) Bobby Short, singer and showman, is in residence at Carlyle

Hotel till mid-June, giving royal treatment to gems by Gershwin, Ellington, Berlin and Cole Porter (Madison Ave at 76th St. 744 1600)

PARIS

DANCE

la Garnier The Paris Opera Ballet's next production is a programme of 20th century classics, opening on Sat and running till June 21. It consists of Harald Lander's Etudes (1952), Jerome Robbins' In the Night (1970) and William Forsythe's in the Middle (1987). A second programme, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan, opens on June 17 (4742 5371) Théâtre de la Ville Compagnie Michèle Anne de Mey is in residence this week with a new choreography of Stravinsky's Pulcinella, Next week: Jan Lauwers and . Needcompany, June 15-22: Lyon Opera Ballet (4274 2277)

Bastille A new production of Tosca, staged by Werner Schroeter and conducted by Spiros Argiris, runs

till June 17 with changing casts headed by Carol Vaness/Galina Kalinina, Giacomo Aragali/Viache Polozov and Sergel Leiferkus/ Jean-Philippe Lafont (this week's performances are tonight and Fri). There are also performances on Wed, Sat and next Tues of André Engel's production of Lady Macbeth of Misensk, with a cast headed by Mary-Jane Johnson and Jacque Trussel, conducted by Myung-Whun Chung (4473 1300) Opéra Comique Final performances of Don Pasquale are tomorrow, Thurs and Sat, with cast headed by Gabriel Bacquier and Leontina Vaduva (4286 8883)

CONCERTS Salle Gaveau Tonight: Victoria de los Angeles sings Schubert, Fauré and Granados. Tomorrow: Edita. Gruberova, accompanied by Friedrich Haider, in a Schubert, Dvorak and Brahms recital (4953)

0507) Théâtre des Champs-Elvaées Tonight: Gabor Otvos conducts Buenos Aires Philhermonic Orchestra in works by Gianneo, Strauss and Prokofley, Tomorrow: Antonello Allemandi conducts Orchestre Colonne and Chorus in concert performance of Leoncavallo's i Pagliacci, with cast led by Amedeo Zambon and Adelisa Tabiadon, Wed: François-René Duchable, Michel Dalberto, Jean-Philippe Collard and Jean-Marc Luisada play concertos for two and four planes by Poulenc. Mozart and Bach, Frt. Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Weber, Bruch and Mahler, with violin soloist Maxim Vengerov. Next Mon: Natalia Gutman plays Bach cello suites (4952 5050) Bastille Tomorrow: Myung-Whun Chung conducts Opéra Orchestra in symphonies by Haydn and Mahler (4473 1300) Salle Pleyel Tomorrow: Krystlan Zimerman piano recital. Wed, Thurs, Sat: Leonard Slatkin conducts

Orchestre de Paris in works by Purcell/Britten, Egar, Dvorak and Bartok, with violin soloist Isaac Stern. June 7: Radu Lupu is soloist with Academy of St Martin in the Fields (4561 0630)

JA27/CABARET Singer and keyboard artist Davell Crawford, the latest discovery of the New Orleans jazz and blues scene, is in residence this week and next at Lionel Hampton Jazz Club. Music from 10.30 pm to 2 am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 30421

THEATRE

 The Prince of Homburg: Kleist's drama about state power and individual freedom is directed by Alexander Lang at the Mogador Comédie Française. In repertory till June 12 (4878 0404) Oleanna: Charlotte Gainsbourg and Maurice Bénichou star in David Mamet's celebrated two-hander

about sexual harassment on the university campus. Daily except Mon at Gaité-Montparnasse E-(4322 1618) The Homecoming: Harold

Pinter's menacing drama is directed by Bernard Murat, daily except Mon at Atelier, place Charles-Dullin (4606 4924)

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinevia. Thursday: Italy, Spein, Athens, London, Prague. Friday: Exhibitions Guide.

Enropean Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

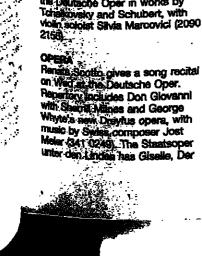
MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronewa: FT Reports 0745, 1315, 1545, 1815, 2345

NBC/Super Channel: FT Reports 1230

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230.

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,



or Americans, the glass is always half full, never half empty. Having imbibed some-thing of this spirit, I find the negative attitudes of British Eurosceptics a trifle hard to stomach. To stand sullenly on the sidelines, rather than fight for the kind of union that will expand individual liberty and prosperity, would strike the typical American as the worst kind of defeatism: the Dunkirk spirit in reverse.

I realise that many Euroscep tics are keen supporters of free markets. But this means they should have little respect for the nation state, which often acts as an obstacle to the free movement of goods, not to mention people. Two centuries ago, American states managed to pool sovereignty in a federal union that expanded economic opportunities, preserved personal freedoms and deterred aggression from neighbours. Why oppose a similar strategy

The record of Brazil and India reminds us that bigness is not in itself a virtue. American prosperity is a product of the specific political philoso-phy adopted by the US foun-ding fathers. And despite the constraints they so wisely built into the constitution, Washington eventually seized far too much power. The centre's dominance explains many of today's frictions: President Bill Clinton is facing violent oppo-sition to his social reforms partly because such decisions should be taken by lower levels of government. There is no reason why the same healthcare rules should be imposed on states as diverse as Vermont, Louisiana and Oregon.

But European nations have the US example. If they are intelligent, they will copy the best aspects of US federalism while avoiding the mistakes. The fact that European countries are long-established nation states (unlike the original components of the US union) should act as a natural brake on aggrandisement by the centre. So should the increasing number and diversity of members as th prepares to absorb the Nordic countries and, eventually, east-

The political landscape is



MICHAEL PROWSE on AMERICA

also changing. In the late 1980s the likely destination for Europe seemed to be an inter-ventionist, monolithic superstate run by a clone of Jacques Delors. That dark future now looks a little less plausible. Many countries – not iust Britain - are fearful of a loss of national identity. Germany, at last, is showing signs of impatience with the bureaucracy endemic to Brussels. And European politicians cannot ignore entirely a global tide of ideas that strongly favours free markets and personal liberty. Who would have guessed that Italy, of all countries, would appoint Antonio Martino as foreign minister, a libertarian

fan of Margaret Thatcher? Since there is now considerable room to influence debate in continental Europe, British Eurosceptics should stop being so negative. They could start by reconsidering their blind opposition to a single European currency. Nearly all economists agree that this would considerably enhance the commercial attractions of a single European market.

I can understand that an old-fashioned Keynesian might fear that loss of the pound sterling would prevent a UK government creating jobs at will by printing wads of money. But most Eurosceptics are surely sophisticated enough to realise that an independent monetary policy offers only an illusionary form of sovereignty. It gives you the freedom to create more inflation than your neighbours, but not more jobs or a higher standard of living, because these depend on econom such as work effort and pro-

ductivity growth. It is odd, to say the least,

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thetic to rule-based global monetary systems such as the 19th-century gold standard. Yet provided a European central bank were responsibly run (which seems likely if Germany is to abandon the D-Mark), the effect on Britain would be much the same as a gold standard - protection from destabilising changes in the value of money.

behind her. From a position of relative obscurity, she found

herself splashed across

Britain's tabloid newspapers as

"the laughing gas regulator".

This unwelcome exposure

was sparked off by spurious

allegations - denied with great

seriousness - of an improper

relationship with a civil ser-vant involved in her appoint-

ment. But the addition of Ms

Spottiswoode to the cast of reg-

ulars in the tabloid soap opera

reflects more than the tradi-

tional British obsession with hanky-panky, real or imagined, in public life.

The UK's utility regulators

are finding themselves increas-

ingly in the limelight as they

revolutionise the industries they regulate. They are also

attracting growing attention

from the politicians as it

becomes clear that their decisions have far-reaching conse-

Yet the UK's utility regula-

tors were created to take com-

plex pricing and competition

judgments away from the med-dling of MPs. "Politicians made

such a hash of running the

nationalised industries," says

Sir Christopher Foster, advise

to the government on privati-

sation and author of a book on

regulation. "Detaching them

from the day-to-day interfer-

ence of politicians has been an

was that the regulators had made a good fist of their jobs,

especially in the two utilities -

telecommunications and gas -

In telecoms, prices have

fallen by more than 30 per cent

in real terms since 1984. BT,

the privatised company that

formerly enjoyed a monopoly

in telephony, now faces more

than 40 competitors in differ-ent sectors of its market.

If there is disquiet, it is

among companies in the indus-

try rather than consumers. BT

has complained of over-regula-

tion: Mr Don Cruickshank, the

regulator, is now tackling the

smaller obstacles faced by new

entrants to the market, such as

access to directory inquiries.

Mercury, the second largest operator, has taken Mr Cruick-

shank to court over his

approach to regulating the

charges BT makes for carrying

real terms, by more than 20 per

cent since the privatisation of

British Gas in 1986. The next

stage of regulation, opening tro

other operators' calls.

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incontrovertible good."

Until recently, the cons

that were privatised first.

quences for society.

There is one crucial caveat. A single currency would be lisastrous if, in the name of social justice, Brussels remained wedded to laws preventing the flexible adjustment of wages and social benefits in member countries. The US should serve as a warning here. Some regions will always face special economic problems: for different reasons Texas, New England and California have all recently suffered severe local recessions. The hardship is tolerable only because depressed regions can reduce costs and regain market shares by allowing their wages and social benefits to fall relative to the national average.

But rather than opposing a single currency out of fear that regional recessions would turn should direct their fire at the root problem. This is the dotty desire in Brussels to harmonise everything, and thus prevent member countries exploiting comparative advantages such as low wages and flexible

working conditions. The terms for federal union demanded by Britain's partners could eventually prove unacceptable, for example if they threatened important liberties of UK citizens. I am not in the camp that regards Britain's future in Europe as a

metaphysical necessity. Geography is less important than in the past as Japan showed after the second world war, when it formed its main ercial (and military) ties with the US rather than its Asian neighbours. The UK could withdraw and prosper commercially, say by negotiating entry to the North American Free Trade Agreement. should be avoidable - especially if Eurosceptics stop sulking and start working for the that many fierce opponents of right kind of liberal Europe.

The regulators of the UK's privatised utilities are ast week was one that Ms Clare Spottiswoode, feeling besieged. John Willman explains why the UK gas regulator with a disarming giggle, will be anxious to put

Through gas and high water



Regulators: Spottiswoode (top left) and her predecessor, McKinnon (below left); Sir Bryan Carsberg and his successor at Oftel, Cruickshank (centre, above and below); Byatt (top right) and Littlechild

the industry to competition, is proving more controversial, however. One consequence of liberalisation could be differential pricing, if charges rose for customers furthest from the North Sea gas fields.

Before last week's events, Ms Spottiswoode had incurred the wrath of opposition MPs for appearing with Mr Tim Eggar, energy minister, at the launch of the consultative paper on gas competition. "She has adopted a Thatcherite interpretation of competition that will lead to higher prices for consumers furthest from the points where gas comes ashore," says Mr Peter Hain, the left-wing Labour MP, who advocates far-reaching changes

to the regulatory system. In the water industry, prices have risen above the rate of inflation to finance modernisation and clean up water and beaches. There is also less to keep prices down.

In the south-west of England. Conservative candidates are already blaming water price increases 50 per cent above the national average for their expected poor showing in next month's European elections.

Experiments in water meter ing, encouraged by the regulator to curb demand in areas of the country where supplies are under strain, have also proved controversial. The burden of metered charges falls more heavily on families, pensioners and low-income households.

"It's illusory to believe that politics can be removed from the utilities," says Mr Dieter Helm of Oxford Economic Research Associates. "They are central to the performance of the economy as a whole, there is a strong monopoly element and they have a large impact on living standards."

The impact of utility regulation on the economy can be seen in the electricity industry. Prof Stephen Littlechild, the regulator, refused to halt the stations, a development largely responsible for the sharp fall in demand for coal that has led to

widespread pit closures. The

decision is described by Mr

Hain as "an effective veto on

"The idea that regulation is a value-free, technical exercise is nonsense," he adds. "Regula-tors may hide behind the man-tle of competition, but they are right in the thick of political controversy.

The view that regulation is too important to be left to the regulators is increasingly heard in the City. Investors are concerned that the water and electricity regulators, who are conducting reviews, will crack down on price rises.

In April, Mr John Baker. chief executive of National Power, the privatised electricity generator, called for curbs on regulators' power. Barclays de Zoete Wedd Investment Management and Prudential, the UK's largest institutional investor, have urged water companies to appeal to the mission rather than accept much tougher price limits.

One cause of concern is regu-

their regulators," says Mr Nigel Hawkins, utilities analyst at Hoare Govett. "Mr Ian Byatt (Ofwat regulatorl is in favour of intensive

The regulation of the water and electricity industries reflects the personalities of

regulation. He demands lots of information from the water companies and has assembled a massive database. Prof Littlechild takes a free-market approach [to the electricity industry] and believes in profit. He wants regulation to be light-handed and therefore asks for relatively little infor

mation from the companies." There is also concern that regulators feel they must act tough. "Mr Byatt's review of the price caps for water compa-nies will inevitably be judged by ill-informed commentators on the number of companies that squeal," says Mr Robert Miller-Bakewell, water analyst at County NatWest. "If none of them appeal to the MMC, he'll

hese differences in antroech are an inevitable consequence of the way the UK's regulatory system hands power to one individual, according to Mr Helm. "If you give individuals great power, it will become intensely personalised. Just look at how different the approach of Clare Spottiswoode is compared with her predecessor, Sir James McKin-non. Yet both were appointed under the same legislation.

"A future Labour government could appoint someone completely different who could overturn the system without further legislation."

Such concerns have led to similar prescriptions from different quarters. National Power's Mr Baker, for example, has called for a common organisation of regulators, to raise the quality of support staff and transfer experience between industries. Labour's Mr Hain makes a similar proposal.

Both also support the idea of defining more precisely the role of the regulator and the establishment of strategic plans for their industries. Both want the regulatory process to

be more open to scrutiny. The only comfort for the regulators is that no one appears to want to return to the bad old days of Whitehall administration of the utilities. It is perhaps a compliment to their success that even the more party would preserve the system of independent regulation, albeit with greater accountabil-

LETTERS THE EDITOR Number One Southwark Bridge, London SE1 9HL

Crimea's wishes must be heeded

From Professor Lubomyr Y Luciuk

Sir. Re "On the brink over Crimea" (May 24), Ukraine's borders are inviolable. But Ukraine does not necessarily covet Crimea, Russia does, Ukraine has said this territory belongs to its original inhabitants, the Crimean Tatars. Slaughtered and forcibly relocated during imperial Russian and, later, Soviet times, the Crimean Tatars have been welcomed back to their ancestral homeland by the present-day Ukrainian government. They do no want Crimea to become

part of Russia again. Why does your editorial fail to take into consideration the desires and aspirations of the native people of Crimea, while scolding Ukraine and, implicitly, rationalising resurgent Russian imperialism? It is Russia that is engaged in brinkmanship and the west which appears intent on repeating the crimes of appeasement at Munich and betrayal at Yalta. That way lies war. Lubomyr Y Luciuk, professor of politics and economics

Royal Military College of Kingston, Ontario, Canada K7K 5LO

Advanced banking

From Mr Richard Barry. Sir, While it is encouraging to read of the progress in electronic banking in Moscow ("Russian banking jumps the queue", May 24), I don't think it is accurate to suggest that its system is ahead of the west. We have had real-time banking in Ireland for about 10 years allowing counter (card + PIN) and automated teller machine (ATM) transactions to be updated instantly.

Irish ATMs are fluent in five languages (though not Russian. yet) and many have colour displays. The banking systems in several other EU member states are similarly Richard Barry. 133 Merrion Village.

Ballsbridge.

IRL Dublin 1

Integrated approach is the real innovation on competitiveness

From Mr Dick Evans Sir, Your editorial "A manifesto for business" (May 25), commenting on the government's white paper on competitiveness, welcomed some of the aspects of the white paper but in our view did not draw sufficient attention to the really important innovation contained in it. This is that the white paper treats UK competitiveness as a systems issue and brings together in one stream of activity the things which the whole of government and makes it clear that government industry need to do. This con and industry need to work trasts with the tradition that each department of state should pursue its own departmental view of what the UK economy needs. For instance, there is, for the first time, an integrated analysis of the impact of education and training on competitiveness, as your editorial acknowledged. Moreover, the white paper

does not just dwell on what

supply-side expenditure may

pening in so many other countries, ranging from the US to the newly industrialised countries. Dick Evans, British Aerospace, Warwick House,

PO Box 87. Farnborough Aerospace Centre, companies should do - it | Farnborough, Hants GU14 6YU

and industry need to work

together to improve our com-petitiveness just as we see hap-

Ofgas making illogical distinctions

From Farhana Yamin. Sir, Your leader, "The cost of saving energy" (May 25), failed to spot the legally dublous reasons of Ms Clare Spottiswoode, Ofgas director-general, concerning the implications of price rises caused by energy efficiency expenditures.

Your discussion about who should bear the "costs" of saving energy makes the same illogical distinction between the treatment of expenditures on demand-side options (such as energy efficiency) and supply-side options (like building transmission lines) that Ms Spottiswoode has made. She has decided that the former should be seen as "taxes" or "levies" which she cannot pass through to consumers under her existing powers in the Gas Act, while the latter are long-term investments properly incurred for the benefit of all customers and thus to be paid for by all customers.

This distinction ignores that

also benefit only a small number of customers, or particular class of customers, such as big industrial users. Conversely, supplying loft insulation to prevent the need for transmis-sion lines in the first place may benefit all customers whether or not all receive loft insulation. Providing expenditures confer benefits on all gas customers, there is no justification for your suggestion that the costs of saving energy should be met by taxpayers rather than gas customers. By allowing a "pass

through" element for energy efficiency expenditures, Sir James McKinnon, Ms Spottiswoode's predecessor, was acting within his powers to protect the interests of consumers in respect of price. He also fulfilled his statutory duties to take into account the physical effects on the environment. Ms Spottiswoode, possibly in violation of her legal obligations.

appears to be unaware she even has such obligations. role of the judiciary, rather than Ms Spottiswoode, her private advisers or members of the House of Commons environment select committee, to define conclusively the nature and extent of her regulatory powers. A judicial review would not only provide her with the guidance she clearly needs, but also clarify for the benefit of present and future directors-general of utilities watchdogs - Ofgas, Offer, Oftel and Ofwat - what their statutory duties are in respect of energy efficiency and the envi-Farhana Yamin

programme director, climate change and energy, Foundation for International Environmental Law and Development, SOAS, University of London, 46-47 Russell Squ London WCIB 4JP

Critical question not answered by Lloyd's

From Mr Alexander Munn. Sir, Your report, "Lloyd's confident on solvency tests" (May 25) of the Lloyd's AGM referred to protests from the floor about Lloyd's alleged failure in the early 1980s to disseminate information to

Names about asbestos-related It did not mention the repeated failure of chairman David Rowland to answer the most critical question arising from the allegations. There is documentary evidence which

substantiates that it was

known to the then Committee of Lloyd's that enormous losses were in the pipeline. The question that was not answered was whether Parliament had been informed of these horrendous impending losses before passing in July 1982 the Lloyd's Act, which conferred on Lloyd's the special privileges of self-regulation and

immunity from being sued. It is clear that Parliament was not informed. The facts were concealed from MPs as well as from Names, and since it is inconceivable that the 1982 Lloyd's Act would ever have reached the statute book had Parliament been aware of the immense and unquantifiable losses faced by Lloyd's, it is difficult not to conclude that these unique privileges were acquired by false pretences.

Furthermore, Mr Rowland-refused to make available the minutes of the Llayd's Audit Committee and the Asbestos Working Party during the 1980-82 period. Alexander Munn. The Cottage, 9 Crown Lane Benson, Oxfordshire OX10 6LP

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday May 30 1994

Bringing China into the Gatt

By ending the link between China's human rights behaviour and its receipt of most-favoured ble to ensure that it develops in partnership with, rather than in opposition to, the west. nation trading status. President Clinton has opened the way for a nore fruitful relationship between Washington and Beijing, as well as between the west and Asia. With the MFN ritual now apparently abandoned, all sides must work to make China a full, open and fair player in world affairs. The framework for this participation will be set by the terms of its entry into the General Agreement on Tariffs and Trade (Gatt).

Mr Clinton's decision was correct. It is not that trade sanctions sarily inappropriate for human rights abuses. On the con-trary, it is reasonable to appraise the use to which countries are putting trade privileges, as well as considerable flows of foreign money in export proceeds, loans and investments. But each case is

For China, the influx of foreign capital and ideas is a force for good. Helping to support reforms which have brought greater prosperity and economic choice to most Chinese, it is their best hope for obtaining wider freedom by orderly means. Isolation of China through MFN withdrawal would have been a severe blow to reform.

Those are the principles. But of course pragmatism also played a large role in Mr Clinton's embarrassing climbdown from the human rights conditions which he set a year ago for MFN renewal. The threat was too blunt and too self-damaging a weapon to be effective, imposing as it did a timetable that was not likely to win the co-operation of those in Beijing who were supposed to

Economic dynamism

Had MFN been withdrawn, American companies would have lost out to their international competitors in terms of investments. markets and broad strategies in the region. The resulting deterioration of Sino-American relations would also have weakened US efforts to forge greater trans-Pacific co-operation, since most of Asia would have sided with China. Rather than creating friction, the aim must be to build relationships which recognise the extraor-

dinary economic dynamism of

partnership with, rather than in The west needs China to play a

full role in international affairs, as a permanent member of the UN Security Council with an influential role among developing countries. With its economy and trade growing so fast. China must also be an open and fair trader.

Fragile relationship

So the initial foundation of China's enhanced role in the world will be the protocol covering its accession into Gatt or the succes-World Trade Organisation. Gatt entry will serve another important purpose, since China's participation in the world economy will be based on a contract with all trading partners. The excessive burden currently placed on an evidently fragile Sino-American relationship will be reduced.

It will be a tall order to agree China's accession to Gatt this year, before the WTO takes over. Though investigations have been under way for seven years, the Gatt working party is still concerned to understand exactly how the Chinese economy works. Negotiators need to be sure that China's trade policies are fair and uniform - difficult when there are so many special zones offering different incentives - and that the operation of state-owned enterprises is open, particularly the subsidies which they receive. These issues will form the basis for other countries' ability to compete with China. China's entry needs to be treated with urgency, but not rushed through.

Gatt membership leaves countries free to take action against objectionable practices such as the export of prison-produced goods. In this area in particular, governments - hitherto excessively relaxed - should stiffen their efforts to curb China's abuses Pressure over human rights issues must form an important part of the full and broad engagement with Beijing which should follow Mr Clinton's decision. It may be more effective than a threat which has achieved the release of a few dissidents before each deadline. If the opportunities afforded by the change of US policy are seized, it will be to the benefit of the west as well as of the Chinese people as

The pursuit of the millennium

millennium commissioners to help the UK celebrate the year 2000 has not exactly caught the nation's attention. The man or woman on the Clapham omnibus would have great difficulty in saying what they were for, let alone naming any one of them. Yet these nine commissioners will be responsible for spending almost £2bn of public money over the next seven years. The manner of their choosing and the way in which they propose to discharge their task reflect much that is tired about British public

First, their choosing. They have, in the time-honoured way, been appointed by the crown on the recommendation of the prime minister. Like the membership of a royal commission, they have been selected to represent as many interests as possible. The Cabinet Office list of the great and the good has been raided once again. There is a Scot whose father is the largest landowner in Britain. Mr Simon Jenkins, the distinguished journalist of Welsh extraction, will guard the interests there is a businessman who was Olympic bobsleigh gold medallist in 1964. A property developer represents the north of England. There are two women (one from an ethnic minority) and a businessman-cum-quangocrat nomi-nated by the leader of the opposition. The team is completed by Mr Michael Heseltine, the trade and industry secretary, and Mr Peter Brooke, the national heritage secretary who chairs the commission.

No visionaries

These are not the visionaries who might bring original insights to the celebration of the millennium. Yet they will spend a fifth of the proceeds of the new national lottery, predicted to total about £9bn over seven years. With more than £250m a year at their disposal, the commission will enter the FT Top 40 quangos at around 22nd place. Like thousands of other government nominees on quangos who dispose of more than a fifth of public expenditure, the commissioners will be accountable

only to Whitehall. The procedures they are to adopt for deciding how to spend these considerable sums conveys opportunity.

The commission will consult the wider world through a series of regional meetings with "opinion-formers". The composition of those groups can only be guessed at. But it is unlikely that they will produce the surge of popular enthusiasm that would generate proposals capable of leaving a mark on history or inspiring

Worthy projects

Already there is a queue of worthy projects building up for a share of the funds. In London, the Royal Opera House, Covent Garden, the South Bank Centre and the Tate Gallery are all looking for substantial sums. A South Ken-sington consortium including the Royal Albert Hall, the museums and imperial College, is competing for money to turn this well-heeled London district into an arts and education centre. Outside the capital, there are proposals for a Gal-lery of Scottish Art, a sports arena in Manchester and an opera house for Cardiff. .

Such projects should be ruled out if only because they are already eligible for a share of the other four-fifths of the lottery proceeds - to be divided between the arts, sport, charities and the national heritage. The millennium fund should be used for something more exciting, to make a mark on the national consciousness. The money could be used to create a scheme to give every young person an opportunity to live in another European country for a month. Or, following Keynes's suggestion, part of it might be buried in the ground for people to

find through hard work. But the decision should not be made by such a narrow group of individuals. The commissioners should conduct polls, surveys and other exercises to search out new ideas. If the nation will be riveted to its sofas for the weekly national lottery draw on television, the occasion could be used to present and debate more ambitious ideas. Viewers in their tens of thousands already use their telephones to vote in TV talent contests and to decide which celebrity should be dipped in a gunge-tank on prime time variety shows. No less is needed in celebrating this unique

The IRA's search for Irish-American support makes it more vulnerable to demands from the US that it end violence, says Jimmy Burns

ill Clinton knows how to hold a party. On March 17, St Patrick's Day, the US president played host to a gathering at the White House which those attending will not easily forget. The guest list, led by Irish Prime Minister Albert Reynolds, included US trade union leaders, presidential advisers, human rights lawyers, businessmen, congressmen and senators. All were drawn by enthusiasm for America's Irish heritage.
The evening underlined Clinton's

own interest in Irish affairs. He was meeting the challenge laid down by Reynolds, that, as "political leaders, we must show daring as never before ... in bringing about the goal

Among those attending was a leading Irish American businessman Don Keough, the former head of Coca-Cola. Commenting on the significance of the evening for Irish Americans, Keough said: "It's like the end of a journey. We all had a feeling of finally arriving."

There has been Irish razzamatazz in the White House before. John F Kennedy held some cultural soirées, and Ronald Reagan entertained Tip Capitol Hill. But never had the invitation list been so long; never had the evening been so political in its scope, drawing in many of those interested in that most touchy of Irish subjects, Northern Ireland.

As Clinton himself later boasted the last time the White House had hosted a comparable party was under "Old Hickory" Andrew Jackson, the first Irish American to be voted in as president.

forward," she says.

the support of most of the 44m

Irish-Americans - could bolster the

Irish peace process, widely viewed

as irreversible.

The man who invited Mr Adams

to the US, Bill Flyn, hardly fits the

picture of the republican hard nut

depicted by the British tabloid

press. He is president of Mutual of

America, one of the biggest insur-ance companies in the US, with offi-ces on New York's Fifth Avenue, a

Until seven years ago, Flyn, a

third-generation Irish-American

with a sentimental attachment to

things Irish, steered clear of politi-

cal involvement in Northern

Ireland. Then one day, a group of

IRA sympathisers from the North-

ern Aid Committee (Noraid) - the

group once described by British and

Irish authorities as the main vehicle

in the US for funds and arms to the

IRA - came to his offices and asked

him to give to the Irish republican

cause. "I told them I couldn't do it.

So they said: 'Now look here, Flyn,

if you believe in a united Ireland,

what the hell are you doing about it? They made me feel like a draft dodger," he recalls. So Flyn became involved not in

Noraid but in the Northern Ireland

Peace Movement, which is opposed to IRA violence. He subsequently

joined a number of business groups

which work closely with the British

and Irish governments to promote a

stable Northern Ireland through

informal mediation and increased

investment. His reaction to the

Anglo-Irish joint declaration in

December last year, which seeks to establish a basis for peace in the

took my hat off to John Major and

says Flyn.
It was in this spirit that Flyn

Reynolds. It was a breakthrough,"

"It was a fine declaration and I

province, was enthusiastic.

prime mid-town location.

So who has arrived and where? On the basis of blood alone, Clinton is not a natural player in American ethnic politics. Much as he might have proclaimed his Irish roots dur-ing his presidential campaign, these are not particularly deep or immediate. One theory is that his maternal ancestors, the Cassidys, settled in South Carolina in the 17th century, Protestant emigrants from Ulster. This is hardly the stuff of Irish

nationalism, but it was enough for the Clinton presidential campaign to set up Irish liaison groups and to garner as many votes as Kennedy did among Irish-Americans. In return, Clinton promised the earth - or so it seemed to those

Irish republicans who had long sought to draw the US into playing an active role in Northern Ireland. The "earth" was Clinton's promise to send a presidential envoy to sort out the mess in Belfast. Since becoming president, Clinton

has put the envoy idea on the backburner. But his decision in February to grant a visa to Gerry Adams, the Sinn Fein president, against the advice of state department officials and UK government objections. seemed to presage a new activism.
To Irish-Americans such as Niall O'Dowd, editor of New York's Irish Voice, a newspaper for Irish Americans, Clinton has shown not only that he has a grasp of Irish issues, but that he can deliver on them. "Under Clinton, Irish-Americans have been allowed and encouraged unprecedented access to key White House officials."

surface British nervousness about Clinton's attitudes on Northern Ireland, particularly that the IRA was about to get a pat on the back. But the visa was never intended as an endorsement, nor did it turn out that way. So says Nancy Soderberg, a senior member of the US National Security Council, who helped persuade Clinton to grant it. Ms Soderberg is a self-assured, young political operator who, as a former foreign affairs adviser to Senator Ted Kennedy, spent years

The visa decision brought to the

before bombs invited Adams in February to speak ern Ireland. She believes Clinton is at a conference on the future of committed to conflict resolution, as Northern Ireland - which sparked facilitator rather than intervener. off the visa row. "I wanted to help "We wanted to expose Adams to American opinion that is opposed to the process towards peace," says Flyn. He believed then, and still violence and try to reach out in believes, that far from promoting favour of moving the peace process the IRA's armed struggle, the Adams visit strengthened the hand Clinton's record in conflict resoluof moderates in the republic movetion elsewhere is not sparkling. But ment and exposed republican hardhis aides believe a helping hand from the White House - drawing on liners to the moderation of most Irish-Americans. He has no regrets

about the invitation. Drawing on his contacts in the Irish republican movement, Flyn says: "I think the Adams visit schieved more in 48 hours than 20 years of violence did. He realised that, if he was to make progress, it would have to be through dialogue and not through the builet."

Ballot blarney

The majority of senators and

American-style Irish patriotism was once described as a 'windbag or a phantom, the laughing stock of sensible men'

congressmen who backed the Adams visa also say they did so not as a sign of support for IRA violence but to achieve peace. The group includes congressman Joseph Kennedy, nephew of former President Kennedy, son of former attor-ney-general Robert Kennedy, and a rising political star on Capitol Hill. Six years ago the young Kennedy's tour of Northern Ireland drew the wrath of the UK tabloid press when he got into an argument with a British soldier and told him to get out of the six counties.

Kennedy, who represents Boston, which has one of the largest Irish communities in the US, is now defensive about his reputation as a leading critic of Britain's military presence in Northern Ireland. Whatever [sectors of the British media] may think, I am not pro-IRA," he says.

Despite his continuing sympathy with the republican ideal of a united Ireland, Kennedy says: "I have never met with the IRA

down their arms. Given my family's history of assassination, how could I possibly condone the use of a gun to make a political point?" On the Hill, the one person who speaks out unflinchingly and often in defence of the IRA is Peter King,

a Republican congressman for Nassau, New York state. The son of a New York policeman of Irish descent, King says he supports the IRA out of personal conviction, having been converted to the cause after Bloody Sunday in 1972, when British paratroopers shot dead 13 civilians in Northern Ireland. While King has few supporters

among congressmen or in his constituency, he personifies a sentimental loyalty to the Irish republican cause as well as the angiophobia which dates from the 1840s, when the first flood of Irish immigrants came to America after the Irish famine.

This patriotism - American style was once described by James Stephens, the Fenian leader, as a "windbag or a phantom, the laughing stock of sensible men and the El Dorado of fools...speeches of bayonets, gala days and jolly nights, banners and sashes ... bun-

kum and fulsome filibustering". It sprang from ethnic insecurity and a sense of profound powerlessness as poor Catholic immigrants tried to forge an identity in a country settled by Puritan colonists. From the early 1970s, it became a source of funds and guns for the IRA as Irish-Americans, mindful of the civil liberties enshrined in the US constitution, protested against what they considered human rights violations against Northern Ireland's Catholic minority. One of the Irish-Americans deeply

embedded in republican folklore is Michael Flannery, founder in 1969 of Noraid. Flannery fought in the IRA's North Tipperary brigade before emigrating to the US after partition in 1921. There, Flannery and a few friends set out to radicalise some of the social clubs catering for Irish expatriates.

Today, aged 92, poor, lonely and suffering from arthritis, Flannery personifies the romance and the limitations of Irish republicanism in the US. He lives with his memories in Jackson Heights, a New York

suburb where Irish Americans are now outnumbered by Latin Americans, and where drugs trafficking is more common than Irish

republican propaganda. Fiannery chuckles as he recalls how in 1982 he was acquitted of raising \$16,800 for the purpose of supplying rifles to the IRA. The prosecution collapsed after defence lawyers uncovered potentially embarrassing connections between the arms dealers and the CIA. They never proved we were financ-

ing the IRA," Flannery says.
Flannery left Norsid in the late 1980s after the organisation split over whether Sinn Féin and the IRA should continue abstaining from politics in the south of Ireland. Those who remained in Noraid supported political involvement in the south alongside armed struggle in the north. Flannery rejected political involvement. But he remains committed to the armed struggle as the means to achieve one state on the island of Ireland.

Noraid's current chief, the much younger Martin Galvin, works from a lawyer's cramped office in New York's Bronx area. Galvin insists Flannery jumped ship unnecessar-ily. "He thought we were going away from republican princip that the armed struggle would be wound down. The last eight years have proved that these [fears] were not justified."

et Flannery is not alone in thinking that Noraid, for all its rhetoric, has gone "soft". The FBi and British intelligence believe Norald's fund-raising abili-ties have diminished – down to less than \$200,000 a year from close to SIM in the early 1980s. This is the result of splits in the movement, recession, FBI infiltration, and bet-ter information being made available about Northern Ireland.

There is now evidence that Noraid no longer represents the hardest line among Irish-Americans. At a ticket-only banquet held by an offshoot of the organisation, called Friends of Irish Freedom, in South Boston this month, a keynote speech by Tommy McKearney, a former IRA member who served 15 years for shooting a British soldier, rejected the joint declaration outright. He was warmly received by 200 people from the Boston unit of the organisation when he said Gerry Adams should insist British troops got out of Northern Ireland before further negotiation, or hand over the Sinn Fetn leader ship to somebody else.

Though the friends represent only a small minority of Irish-Americans, they might be a source of support for a reconstituted armed struggle if some militant Irish republicans were to end violence in response to the joint decla-

Despite divisions among Irish republican supporters. US interest in Northern Ireland seems certain to increase in coming weeks. Bars in New York, Chicago and Boston are gearing up with sweat-shirts. stickers, baseball caps and advance block bookings for matches, as they await the arrival of the Irish World Cup football team and its supporters. The turn out will represent the biggest single instance of Irish immigration, albeit temporary, since the famine. And some bars will, no doubt, be collecting for the

The earlier Irish migration sprang from suffering and fostered a romantic sense of Irish history which militant republicans have been able to translate into money for guns. While those first Irish immigrants clambered on to American shores as supplicant refugees, today's festive Irish fans will find a community of Irish cousins who have themselves "arrived" and are now finding their voice around a

new US presidency. It is not the type of community in which the IRA can take for granted support for its campaign of vio-lence. Numbering about five times as many Irish men and women as live in Ireland, north and south, the community's politics is informed by moderation. As Bill Flyn puts it: "I think the real power of 44m Irish Americans has been awakened. It's available to anyone who wants to be a peacemaker." Step up, President Clinton

OBSERVER

Ms Liberty gets a rival

■ China is on a bit of a roll at the moment. Last week the US abandoned attempts to link China's trade status with human rights. Now Shanghai wants to erect a bigger and better version of New York's Statue of Liberty.

It is only five years since some of China's "huddled masses yearning to breathe free" were massacred at Tiananmen Square. so it seems a bit rich to erect a monument celebrating liberty.

However Shanghai, which has soaring ambitions as a financial and trade hub, wants to mark the turn of the century with an eye-catching sculpture. Whether it will be on Chongming Island at the mouth of Yangtze, or Wusongkou island, hasn't been fixed yet.

What's not in dispute is that it will be 118m tall, compared with Miss Liberty who is 92m tall if she stands on her pedestal.

Summer break

■ Pack up your sunglasses and beach towels. Bill Foggitt, the 81-year-old Thirsk weather sage. says the spring bank holiday is

going to herald a warm spell that should last all summer long. May was colder than usual with

the odd ground frost, he said. The frogs felt confident enough this year to lay their eggs at the edge of his neighbour's pond. Dry springs are ensured when the spawn appears out in the middle.

The swallows arrived early, always a good sign, and the oak was out before the ash, an essential for a fine summer.

Early birds

Hands up all those British company chairmen who leave their Rollers in the company car pool so that they can avoid being taxed

on the personal benefit? Lucky they don't have to live in the US, where a new law requires that taxes must now be paid on subsidised car parking. Sounds an excellent way of making sure that the top brass gets into the office before the troops.

Casing the joint

■ The jockeying for power at Newspaper Publishing, owner of the Independent, continues apace. Sergio Cellini, 38, who looks after corporate strategy for L'Espresso, the Indy's Italian shareholder, has

2 R (BANX)

'Can he recite lottery numbers under pressure?

been appointed an executive director of Newspaper Publishing. Since virtually everybody else on the board is non-executive. Cellini will be in a powerful position in a company which doesn't have a chief executive. He will be responsible for managing those activities not contracted out to the Mirror Group Newspapers, such as printing and marketing. One school of thought suggests that he has been imported to keep

an eye on Cornel Riklin, 38, the

Swiss whiz kid put on the

Newspaper Publishing board by MGN's David Montgomery. Both went to US business schools and are ex-management consultants. However, a more likely suggestion is that Callini has been brought in to keep an eve on Andreas Whittam Smith, the founder, editor-in-chief and chairman of Newspaper Publishing.

Heavy going

■ Interest in the OECD secretary-general stakes is hotting up ahead of next week's annual meeting of the Organisation for Economic Co-operation and Development It is unclear whether the winner

will be announced at the meeting or whether the race will be extended. But students of racing form believe that Jean-Claude Paye, the current secretary-general, lies well back in the field while Lord Lawson, the former British chancellor of the exchequer, has been catching up fast on Don Johnston, the North American favourite.

However, Johnston's trainer, Canada's Foreign Affairs department, desperate to disprove gossip that Johnston is finding it heavy going, has been circulating a 14-page collection of Johnston's thoughts. These include extracts

from his memoirs, Up the Hill, and gems from a recent speech to the Ontario Sewer and Watermain Contractors' Association

Nuts

■ The polluter must pay. And so say all of us. Last week, Petrobrás, Brazil's state oil company and one of the most inefficient in South America, was blamed for an oil spill which polluted 18 beaches along the São Paulo coast. It was the second worst on record, according to the environmentalists.

Cetesb, an environmental agency, sprang into action and announced that Petrobras was to pay double the maximum fine, since it was by no means its first offence. But and such are the joys of inflation - what was a daunting sum in 1991 now amounts to just \$2. Less than

Poor reception

the cost of a cup of coffee

Concern about the quality of the output of some of Britain's new ITV franchise holders, highlighted by last week's review by the Independent Television Commission, reminds Observer of an old definition:

Television is a medium because it is neither rare nor well-done.

FINANCIAL TIMES

Monday May 30 1994



Hungary's ex-communists poised to resume power

By Nicholas Denton in Budapest

Former communists are poised to regain power in Hungary after scoring an overwhelming victory in yesterday's second and decisive round of parliamentary elections

The Hungarian Socialist party, having won 33 per cent of the vote on May 8, extended its strong first-round lead and was last night within grasp of an absolute majority of seats, which had been feared by the business

and diplomatic communities.

An exit poll showed the Socialists performing better than expected and projected the party as taking 208 of the 386 seats in the new parliament. That would enable it to govern without the moderating influence of a coali-

The electorate has apparently forgiven a party discredited by its origins in the communist regime.

tion partner.

Hungary joins Poland and other east European countries where economic hardship has pushed voters back into the embrace of revamped commu-

In yesterday's vote, the Socialists appear to have relegated the Hungarian Democratic Forum, at present the largest party in the parliament, to a humilating third place with an estimated 34 seats, down from 165 in 1990.

The Socialists have said they will invite the Alliance of Free Democrats, the liberal party placed second with a projected 75

seats, to join a coalition government. However, the Free Democrats

declared that an absolute Socialist majority would all but preclude their participation in a coalition in which they would be dispensable allies.

Western business people and diplomats have favoured Free Democrat involvement as a guarantee that the Socialists would stick to their commitment to free markets and integration with the

Tapie to challenge bank on debt deal

By Alice Rawsthorn in Paris

Mr Bernard Tapie, the French politician and businessman, has promised to challenge Credit Lyonnais today by launching a legal action to overturn the bank's decision to terminate his five-year debt repayment agreement.

The court case is an attempt by Mr Tapie, whose Energie Radicale movement is riding high in the polls on the eve of the European elections, to prevent Crédit Lyonnais from demanding the immediate repayment of a large portion of his FFr12bn (\$200m) loans.

Crédit Lyonnais sent a bailiff to Mr Tapie's Paris town house 10 days ago to serve notice that it was revoking an agreement signed in March giving him five years to repay his debts. The bank stepped up the pressure last week by demanding that Mr Tapie repay FFr450m by next Thursday, and at the weekend, it took out a seizure order over FFr100m of cash held by one of his companies.

Mr Taple has suggested the Crédit Lyonnais demands are part of an establishment plot against him. He said at the weekend his lawyers would take out a court order to force the banks to abide by the original five-year agreement.

Crédit Lyonnais is trying to clean up its loan book as part of the FFr44.9hn governmentbacked rescue package orchestrated by Mr Jean Peyrelevade, its new chairman. The bank says the move against Mr Tapie reflects concern about his financial state and the risk of claims from other creditors, notably the tax authorities, which are investigating the purchase of the Pho-

céa, his luxury yacht.

However, associates of Mr
Tapie yesterday dismissed the
bank's position as "totally unjus-

The confrontation comes during Mr Tapie's campaign for the European elections, but, so far, the legal and financial threats appear to have have boosted his

His populist Energie Radicale movement still commands about 10 per cent support for the elections and he is now the leading left-wing contender for next spring's French presidential vote. An opinion poll in yesterday's

Journal du Dimanche newspaper puts Mr Tapie in third place for the presidency with 10 per cent support, ahead of Mr Jacques Delors, president of the European Commission, and Mr Michel Rocard, the Socialist leader.

The only contenders ahead of Mr Tapie are Mr Edouard Balladur, centre-right prime minister, with 19 per cent, and Mr Jacques Chirac, conservative mayor of Parls, with 13 per cent. But Mr Tapie shares first place with Mr Balladur among voters aged 18 to 30, among whom both men have 16 per cent support.



Gyula Horn of the Hungarian Socialist party votes in the second round of the parliamentary elections. Mr Horn is wearing a brace for his neck, which was injured in a car crash

Please: Associated Press

THE LEX COLUMN

Equity debate still opaque

The debate over whether UK equity trading should be made more transparent reaches a milestone tomorrow the last date for responses to the Securities and Investments Board discussion document on the topic. But a consensus is still elusive.

sensus is still elusive.

On the side of transparency are derivatives traders and some, but not all institutional investors. They would like access to the prices at which market makers ofter to trade shares with each other through inter-dealer broker screens. The traders feel such prices are nearer to shares' "true" prices than the mid-points between bid and offer shown on Seaq, and so are better for pricing options and futures. Similarly, some investors think a glimpse at the IDB screens would help them negotiate better deals.

negotiate better deals.

Market makers, by contrast, argue that secrecy is necessary for them to lay-off the risks they incur through quoting continuous two-way prices. More openness over IDB prices would lead to a squeeze in their margins. Equally, if they could not hide the prices at which large blocks of shares traded, others would know if they were long or short and so take advantage of them. Transparency would force them into defensive trading strategies, and so reduce market liquidity.

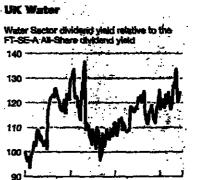
This debate cannot be resolved on theoretical grounds. The respective advantages of openness and liquidity have to be weighed. Since what is needed is effectively a cost-benefit analysis, SIB should commission an economic study to inform the next stage of its deliberations.

Corporate Disclosure

Annual meetings have become more exciting in the wake of the stock exchange's guidelines on corporate disclosure. More companies are using the occasion to make significant statements on trading, just as the guidelines require. The market, however, is not quite sure what to make of it all. Both Ladbroke and Inchcape fell sharply on annual meeting statements that some saw as profit warnings. The new approach is bound to make share nformation is allowed to seep gradually into the market. But that is a price worth paying for a fuller disclo-sure policy. Besides, the market has yet to learn to expect such statements

and get them in perspective.

This seems to have been a particular problem in the case of Inchcape,



which thought it was simply confirming something the market already knew - that this year's first half would not look good against the same period of 1993 when the yen was lower. Ladbroke at least divulged something new about the weakness of its credit betting business. But in neither case was the statement easy to evaluate. The provision of some extra information inevitably leads to a demand for more.

Much though companies shy away from the effort involved, it looks increasingly as though quarterly statements may be the answer. Investors would have some numbers to go on, which would not need to be audited, instead of just the chairman's annual meeting text. Moreover, a quarterly statement would be regarded as routine. If disappointments emerged, it would not necessarily be dubbed with the title of profits warning.

UK water

Water companies stand out among utilities for having operating costs which have risen since privatisation. The high level of capital investment since then is part of the explanation, since new plant also has to be serviced. But the suspicion remains that Ofwat will impose tough efficiency targets when the results of its regulatory review are announced in July. That would be a way of keeping water bills down while holding out the promise of profits acceptable to the City.

Indexing which companies will face

Judging which companies will face the toughest targets is tricky. While companies with large urban populations such as Severn Trent and Thames tend to have the lowest unit costs, that is largely a matter of geography. Ofwat's own comparisons between companies have produced differing results. Capital efficiency - a company's ability to build facilities cheaply - should also be taken into account. If Ofwat is concerned to hold water bills down, though, companies which have asked for the highest price increases are likely to be told to achieve most by way of efficiency.

Whatever the final outcome, the

achieve most by way of efficiency.

Whatever the final outcome, the ability of companies to meet their targets is what matters to shareholders. Companies which can best their efficiency targets will be able to raise profits and dividends faster than their peers. On that logic, the difference between well-run and badly managed companies will be clearer in the second half of the decade. Water company managers can expect investors to scrutinise their performance more closely.

National Grid

Goldman Sachs' appointment as the National Grid Company's adviser is not only a mark of how US investment banks are invading British banks' home territory. It also moves the Grid's flotation one step nearer. The final decision will be taken by National Grid Holding, the parent company, and the 12 regional electricity companies which own it. But the Grid itself is straining at the leash and Goldman, which masterminded Vodafone's demerger from Racal, will presumably furnish clever arguments for demerger this time too.

The industrial case for demerger

The industrial case for demerger looks strong: the Grid would be able to develop its business better if it was free from the tutelage of 12 bickering shareholders. There is also something in the financial case; investors would be able to buy the Grid direct rather than via a Rec where it is submerged by other businesses.

Still, most estimates of how much shareholder value would be boosted look optimistic. It is not possible, as some sales patter suggests, to add the Grid's value of, say, £4bn to the Recs' collective capitalisation of £13bn. Rec shareholders would quickly notice that the Grid's dividends, which account for nearly 10 per cent of Rec earnings, had vanished. They would also appreciate that the Grid's dividends provide high quality income fo Recs since they are almost three times covered by the Grid's earnings. Finally, there could be a tax payment of up to £1bn. While ways of avoiding tax can be dreamt up, the Treasury would not be pleased. And, given its golden share in the Grid, it has the power to demand a slice of the profit.

Week:

Ups and downs of world's tallest coaster

FT WEATHER GUIDE

By Alison Maitland in London

There were more red faces than white knuckles in Blackpool, Britain's leading resort, when the world's "tallest, fastest and steepest" roller-coaster came to a halt during its public debut.

The stoppage, on Saturday, stranded 30 members of the roll-er-coaster's fan club two thirds of the way up the 235-ft-high ride, was apparently caused by an oversensitive computer controlling the trains

ling the trains.
"We don't know exactly why

the computer stopped the ride," said Ms Helen O'Neill, public relations director for Blackpool Pleasure Beach, the amusement park that features the 35 mph roller-coaster. "It's so good that

it's over-efficient."

The 30 stranded passengers —
"most" of whom remained unconcerned — were brought down the
ride's 65-degree drop after 10 minutes and given champagne. But
thousands of people who had
been queueing for 1½ hours had
to be turned away while engineers checked for faults.

"We investigated for two hours to see if there was anything at all to make it stop," said Ms O'Neill. "We haven't discovered anything untoward." The rollercoaster, was operating normally

yesterday.
The roller-coaster, built with 2,600 tonnes of galvanised steel, is named Pepsi Max Big One under a £1m (\$1.5m) sponsorship deal with Pepsi-Cola Internation-

al's sugar-free cola drink.

The ride was designed by
Arrow Dynamics of Clearfield,
Utah. Its president, Mr Ron

Toomer, suffers from motion sickness and sticks to designing roller-coasters by computer rather than riding on them.

The Thompson family, which owns the 42-acre amusement park in Blackpool and paid £12m for the Big One, will keep its fingers crossed that there will be no repeat of the stoppage when the holiday crowds arrive today.

Tomorrow they will be calling on their Utah consultants to investigate more fully. "We'll be asking them if there's any way of toning the computer down."

If you want to know

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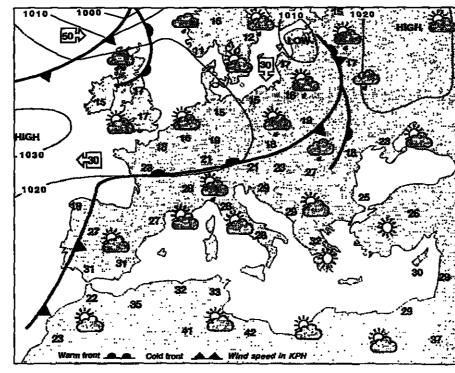


Europe today

A ridge of high pressure will promote dry and cool conditions in most of western and northern Europe. Scotland and Norway will become cloudy later on. Southern parts of the British Isles, the Low Countries, Germany and Poland will see some sunny spells with afternoon temperatures between 15C-20C. The Alps will have a few showers while the Balkan states and eastern Europe will experience outbreaks of rain. Tropical heat from Africa will slowly expand over southern Europe, Inland areas of Spain will have temperatures above 30C with thundery showers in the late afternoon and evening. It will continue to be sunny and quite warm in Italy and the southern parts of Greece.

Five-day forecast

Western Europe will become much warmer for a short time. The heat from Spain will spread to France on Tuesday and the Low Countries on Wednesday and Thursday. At the same time much cooler air from the Atlantic will spread into the UK and western France causing an outbreak of thunder storms over Benetox and France, Eastern Europe will slowly become warmer, with high temperatures by the weekend.





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MARKETS



MARTIN DICKSON: GLOBAL INVESTOR Election euphoria is waning in Italy and the Milan equities market, which has far outperformed other leading European bourses this year has been falling steadily over the past two weeks. Those clever

enough to have taken profits at the top will have locked in capital gains of almost 30 per cent since January 1 in local currency terms and roughly 40 per cent in dollar terms. So should investors sit tight in the hope of a rally, or lighten their Italian exposure in expectation of a further decline? Page 19



PETER NORMAN: ECONOMICS NOTEBOOK When politicians and opinion formers worry about an economic trend, it is often a sign that something is about to go right. This could be the case with Britain's which has long been of concern to

the government and groups such as the Confederation of British Industry. Page 19

BONDS:

It has been the same pattern for months now: each time Europe's bond markets edge cautiously higher after a bout of weakness, they get battered by another wave of selling, pushing prices to new lows. Page 20

Chartists are back in the limelight as stock market

analysts struggle to find their footing. Page 21

EMERGING MARKETS:

Friday offered distinct contrasts in sentiment on China's fledgling stock markets. Page 21

The dollar will again be the focus of attention when traders return to their desks. Page 21

COMMODITIES: Public holldays in the UK and the US give traders a chance for a breather today, and the investment funds whose money has been mainly responsible for the surge in commodity prices will have an opportunity to consider where they go from here.

UK COMPANIES:

The board of JW Spear, which owns the rights to the board game Scrabble outside North America, has been split by the unsolicited offer for the UK company made by Hasbro, the biggest US toys and games group. Page 16

INTERNATIONAL COMPANIES:

Commerzbank's partial operating profits rose more than 11 per cent in the first four months of this year, Indicating a successful full 12 months, Mr Martin Kohlhaussen, chairman, told shareholders.

STATISTICS

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Monday May 30 1994

Austrians set to see off foreign bank bid

Conservative establishment looks set to prevent Creditanstalt-Bankverein from falling into foreign hands with its impressive Sch7.2bn (\$622m) bid for a large minority stake in the country's second

Mr Ferdinand Lacina, the Austrian finance minister, has promised to decide "before summer" on completing the privatisation of the venerable bank, choosing between the consprtium's bid and

one by CS Holding, the financial group built around Crédit Suisse. The government still holds 49 per cent of Creditanstalt's capital, 70 per cent of the voting

Mr Lacina, a Socialist, has made no secret of his preference for CS Holding, even after the consortium's bid, saying Credi-tanstalt needs a strong strategic partner. But he would put the Socialist-Conservative coalition that has long shared political and economic power in Austria under severe strain if he dismissed such a large assembly of leading Con-

And at a time when the country is facing a referendum on joining the European Union and a national election, neither side has any interest in emphasising

The consortium is led by EA

Generali, an insurance company that is controlled in Italy but has its roots in the Austro-Hungarian empire, and by First Austrian, the large Vienna-based savings bank group. They are backed by 18 blue

chip industrial companies, including crystal makers Swarov-ski, the motor group Porsche, the dominant brewery group Brau-Union and the building materials group Radex. Several prominent families,

such as the Mayr-Melnhofs, owners of a large paper group, have put their personal prestige and money behind the offer.

Moreover, by offering the going market price for half the govern-ment's shares and undertaking to back a secondary offering in the markets for the rest, the consortium has shown that it is not trying to win the bank on the cheap by playing the nationalist

The reasons for this strong rallying of all the Conservative forces are not just political. Three years ago, the Conserva-

tives watched helplessly as the Socialists snatched the banking industry lead from Creditanstalt by having their large Vienna savings bank group, Zentralspar-kasse, take over the troubled

Establishment in position to win large minority stake in Creditanstalt-Bankverein

tria. Then, two months ago, Bank Austria lost patience with the Conservatives' dithering over restructuring the ownership of GiroCredit, the savings banks' central clearing organisation, and snapped it up with a knock-

The result is that Bank Austria controls directly or indirectly about 60 per cent of all banking business done in the country. Meanwhile, Creditanstalt has been paralysed because of Mr Lacina's hesitation in completing its privatisation.

Early this month, Mr Rainer Gut, chairman of CS, confirmed that his group was interested and Mr Lacina made clear that he would welcome a CS bid.

But then Mr Gut gave a remarkably candid outline of his group's thinking to the leading Austrian news magazine, Wirtschaftswoche. Initially, CS would take a 20 to 30 per cent stake, but it would insist on first refusal of the rest of the finance ministry's shares and ultimately hoped to

Creditanstalt would retain its identity, but would adhere to CS group strategies. More important, he said CS would "de-politicise" it. If that happened, the Conser-



flagship commercial bank to share the spoils of government and government influenced business. And that would further weaken the Austrian People's vatives would no longer have a Party, already the minority part-

ner in the governing coalition. Mr Lacina and other Socialists might not be disappointed if that happened, but they can hardly be surprised that the Conservatives are fighting back so vigorously.

Taking fright at a hint of bad news

David Wighton looks at the effect of a recent he City of London is being accused of overreacting to companies' downbeat trad-London Stock Exchange rule on trading statements

ing statements in the current round of annual meetings.

Following recent new guidelines from the London Stock Exchange these statements are much more detailed than in the past and some companies believe analysts are assuming they must contain bad news.

affairs director at Inchcape, the UK motors marketing and services group, says: "When anybody puts out a full statement the market inevitably thinks it is a profit warning."

For their part, some analysts and investors are unhappy that annual meetings are now being used to release more detailed trading information, even though the statements are released through the Stock Exchange at

agm statement from Ladbroke. the same time. Says one analyst: "If you need any clarification of after which the leisure group's shares fell by 16.5p to 182.5p. Lad-broke said the level of detail in the statement on the screen, all the people who can help are at the agm. You either have to trek the announcement, which, for out to the meeting or wait in the example, included sales growth queue for them to return calls." figures for Texas Homecare for Inchcape saw its shares fall 4 per the first four months of the year, detailed trading update at its ness as well as the new Stock Exchange guidelines.

Yet Mr Duncan insists that the Yet in this case there was statement was not a profit warning and that most of the informaimportant new information that group profits were running tion was already in the market. below last year because of a When the new guidelines were

downturn in credit betting - and introduced by the Stock Exchange we were assured that since the market was hoping for an optimistic statement the price reaction was only to be expected. the market would soon get used to them. But how long is it going Knowing that there would be considerable interest in the Last week also saw a very full announcement Ladbroke put it

news service at 9.30am, well before the statement was made to shareholders at the 11.00am meet

analysts to telephone in with queries before the meeting and was worth their while going.

One fund manager, who is against companies giving important new information to the annual meeting, believes Lad-broke's approach is at least some

"It makes it more likely investors and analysts can get quick answers to any queries or it may persuade them they are better off jumping in a cab." But Inchcape's Mr Duncan

argues that releasing the state-ment early is unfair to those shareholders who are on their way to the meeting and he believes that the communications problems are greatly exagger-

"Unless you are holding the agm in the Orkneys and the phone lines go down people are overreacting

One problem is that the new guidelines has been uneven with many giving no more details on current trading than before, particularly if the news is good. If group profits are "showing an improvement .. despite difficult trading conditions" many companies will leave it at that.

For those gazing at their City screens the rule of thumb still holds: the longer the trading statement the worse the news.

UK group abandons £400m US purchase

The steen slide in share prices on the London stockmarket in recent weeks has forced FKI, the Halifax-based electrical engineering and electronic components group, to abandon a £400m (\$600m) US acquisition.

FKI has been involved in discussions with its target, thought to have been a bulk handling systems manufacturer, since the start of the year and agreed a

purchase price, only to see its ability to fund the deal whittled away by the slide in its shares. Rumours of a possible rights issue from FKL, to fund a big interpretational securities. international acquisition, have been circulating in the London stockmarket since the turn of the year when Kleinwort Benson Securities was appointed as the company's stockbroker, succeeding Panmure Gordon. FKI was demerged from FKI Babcock in 1989. The company's financial adviser is N.M. Rothschild. FKI sought to finance the deal

via a rights issue but dropped its plan at the last minute because of worries that shareholders might halk at an issue in current volatile market conditions. The rights issue would have had to have been priced at a deep dis-count to FKI's share price which has fallen 15 per cent to 180p since hitting an all-time high of 212p on March 21. Over the same period the FT-SE Actuaries All-Share index has dropped 7.1 per cent and the FT-SE Actuaries Engineering sub-sector by 6.8

The abandonment of the US deal is seen as a blow to FKFs strategy but the company is thought to be still seeking further acquisitions, albeit of a smaller size. FKI's last purchase was in the US in November last year when it acquired the Truth hardware business from SPX Corporation for £68m.

The company is scheduled to announce preliminary results on June 16. Analysis' estimates of end-March range from £50m up to £53m. Kleinwort Benson, the company's broker, expects it to achieve profits of £52.5m. The dividend total is forecast to rise more than 20 per cent to a consensus figure of 3.7p.

Mr Jeff Whalley, FKI's chairman, was on holiday in France yesterday and unavailable for comment. Mr Bob Beeston, FKI's chief executive, was on holiday

This week: Company news

Car demand still falling in the land of the rising yen

Nissan, Japan's second largest car maker, is expected to paint a bleak picture of the state of the country's auto industry when it releases its results on Tuesday. Domestic demand for vehicles fell

for the third successive year during the 12 months to March. It was down by 7 per cent while overall production fell 12 per cent. Nissan has been one of the hardest hit among Japan's battered carmakers. says Mr Koji Endo, industry analyst

at Lehman Brothers. While the company has made good efforts in the domestic market with the launch of new models, overseas business has been hit by the ven's appreciation against major currencies

in the first half of the fiscal year, Nissan posted its worst results since it became a public company – a pre-tax loss of Y28.9bn (\$275m) and a net loss of Y38.6bn.

The company was forced to revise down its earnings estimate for the year and will sell assets, such as properties and securities, to shore up its results.

Mr Endo believes such asset sales will help the parent company to break even before tax, but lead to a wider net loss on a consolidated basis due to the poor performance of overseas

subsidiaries. He suggests that the company needs to reduce its models, rationalise aggressively and cut capacity further. The closure of another plant, in addition to the planned closure of Zama next year, cannot be ruled out, Mr

Endo says.
Nissan itself appears more optimistic about the outlook for the current year. It believes it can increase unit sales this year by 7 per cent on the strength of a recovery in domestic demand. However, the company is cautious about the outlook for exports where the yen's strength is still an obstacle.

Share price relative to the FT-SE-A All-Share Index

BOOTS Heart drug provision slows UK drugs group

Boots, the UK retailing and pharmaceuticals group, is expected to complete the latest round of retailers' results on Thursday with an increase in pre-tax profits from \$406.7m to about £460m (\$690m) before £35m exceptional charges for

withdrawal of the Manoplax heart drug. Boots' shares have enjoyed an easier ride this year than in 1993, when they lost their premium to the retail sector competition with rival Superdrug, and uncertainty over the future of both the pharmaceuticals business and Do It All, the loss-making DIY joint venture with W.H. Smith.

The price war with Superdrug has cooled, and uncertainty over Do It Ali ended this month when the venture partners said they had agreed to sell 40 stores and planned to sell 60 more. cutting the chain to 140. They expected it to return to profit in the financial

Doubt remains, however, about the pharmaceuticals division. Boots has confirmed that Credit Suisse First Boston is valuing the business, but insisted it was keeping all options open. Analysts believe Boots would be unlikely to be able to sell it without

diluting earnings. For the year to March, Goldman Sachs is forecasting increases in operating profits at Boots the Chemists from £285m to £321m.

OTHER COMPANIES

his business empire.

annual meeting.

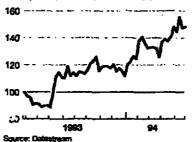
Berlusconi sale marks distancing of empire

Editore, the Italian publisher, meet in Milan today to approve proposals for the sale of up to 53 per cent of the group, which is controlled by the Fininvest media empire of Mr Silvio Berlusconi, Italy's new prime minister. Mondadori would be merged with Silvio Berlusconi Editore, his other publishing interests, before the sale. A roadshow to promote the sale will begin on Wednesday. The flotation represents the first step in attempts by Mr Berlusconi to distance himself from

■ Horten: The stores group is holding its annual press conference in Dusseldorf today. German department stores sales dived in April after an unexpectedly good first quarter. Optimism about prospects for the rest of the year has taken a knock now that the 1994 pay round, resulting in real wage cuts, is starting to tell on spending power. Also today in Disseldorf, the Mannesmann engineering and mobile telecoms group will hold a results press conference.

■ De La Rue: The UK bank note printer, which ended bid talks with Portals on Friday, is tomorrow expected to report annual pre-tax profits of around £121m (\$180m), up from £104.7m. The bank note division has benefited from strong demand from the emerging nations of eastern Europe.

Share price relative to the CBS All Share



🖿 Volkswagen: Bullish noises are expected from VW at its annual meeting on Wednesday in Hamburg. The group is bidding to break even this year (again). Much depends on the state of play with the Spanish subsidiary Seat, blamed for last year's DM1.8bn (\$1.07bn) loss, and which is still restructuring.

Granada: The UK leisure, television and computer services group reports first-half results on Wednesday. Last time, before the takeover of London Weekend Television, Granada had pre-tax profits of £68m. This time analysts are expecting £90m-£100m, which would be a considerable achievement given that little more than a month's profits will be included from LWT.

■ KLM: The Dutch airline is expected to unveil a modest return to the black when it publishes results for 1993-94

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EEG	17	Isetan	17	Spear (JW)
			••	Sun Allianço
FKI	15	Ladbroke	15	Syntex

Business Booster



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COMPANIES AND FINANCE

JW Spear board split over £47m bid from Hasbro

The undertakings become

irrevocable on Friday if a

higher offer has not received.

international toy companies

which might be interested in

Spear, but the tight timetable makes it doubtful that another

buyer would have time to intervene. It seems most likely that the rest of the board will

try to obtain a higher offer

from Hasbro, in exchange for

Spear is also probably of the

greatest value to Hasbro, which since 1989 has owned

Scrabble in Canada and the

US, where the game was

Hasbro said the acquisition would be a logical extension of

its strategy to develop and

expand core operations around

It also seems unlikely that Spear could see off Hasbro by just selling the Scrabble busi-

Scrabble accounts for 40 per

cent of the UK group's sales

and one source said "the rest of the games portfolio hangs

Hasbro's offer of 900p a share

is a premium of more than 21

per cent to the last reported dealing price of 740p on May 12.

ness to the US group.

on the back of it."

their recommendation.

Barings is approaching other

By Andrew Boiger

The board of JW Spear, which owns the rights to the board game Scrabble outside North America, has been split by the unsolicited offer for the UK company made by Hasbro, the biggest US toys and games

At a board meeting on Saturday, all but one of the Spear directors rejected the £46.9m cash offer, which was launched late on Friday. The exception was Mr Fran-

cis Spear, the group's chair-man, who said he thought the terms - worth 900p per share were fair and reasonable. In its offer, Hasbro said it

intended to encourage Mr Spear to continue to manage Spear's Enfield, London, manufacturing plant. The rest of the Spear board,

and the company's financial adviser, Barings, said Hasbro's offer was totally inadequate. The board instructed Barings to solicit higher offers.

Hasbro is in a strong posi-tion, since it already owns a 26.7 per cent stake in Spear and has received undertakings to accept its offer from some Spear family trusts which control a further 24.9 per cent.

NA Life buys Sun Alliance offshoot

By Allson Smith

Sun Alliance, the life and general insurance group, has agreed to sell its Canadian subsidiary to North American Life Assurance Company for C\$22m (£10.6m).

The move follows the sale of its general insurance business in Canada, announced last

Sun Alliance sold that operation to Royal Insurance in Canada, at the same time as it bought Royal Insurance's nonlife business in New Zealand. as the two British groups rationalised their overseas

Sun Alliance is no longer actively seeking any new business in Canada, though a small operation to look after the multi-national interests of

existing clients remains.
Sun Alliance set up its life company in Canada in 1962. It did "quite well", but once it became clear that with the disposal of the non-life business there was no scope for sharing costs or customers, the group decided it would be sensible to be "open to offers".

North American, a mutual life company which is based in Toronto, is the largest direct marketer of life insurance in

The moment of truth for Crispian Hotson

Michael Smith begins a series of profiles on potential bidders for British Coal

∕in the UK 10 years ago after a spell in the US. He thought the British coal industry was about to be privatised and saw it as a "wonderful opportunity". His timing was way out. He will find out soon whether he was right about the opportunities.

Mr Hotson's Ryan Group last week notified the government that it was interested in bidding for three of the five Brit-ish Coal regions which are being sold off in the return of the industry to the private sector after 47 years of state control. Ryan faces considerable competition but Mr Hotson

"I have been waiting for this moment for 10 years," he says, "It was my whole raison d'être for investing in coal." A 42-year-old South African,

does not intend to be thwarted.

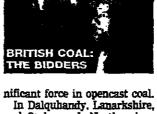
Mr Hotson is a life-long opponent of apartheid but says that was not his motivation for leaving the country.

"My father told me the best business opportunities were outside South Africa." he says. After taking a degree in natural sciences at Cambridge, stints in the US copper and coal industries gave him the wherewithall and money to return to the UK in 1983 to take over at Ryan, a coal recov-

ery company capitalised at £4m.

rispian Hotson was in a was crazy to get involved in son estimates that Ryan, in hurry when he arrived coal and in Wales. They told which he and other managers me to keep on taking the pills and take lots of sleep. "But I saw the chance of taking the rigid structures out of a nationalised industry and was con-vinced the UK government would privatise coal before electricity.

In spite of his miscalculation, Mr Hotson can look back on some significant successes. Heiped by the acquisition of the Derek Crouch contracting company in the north-east of England in 1987, Ryan is a sig-



In Dalquhandy, Lanarkshire, and Stobswood, Northumberland, it has two of the largest and longest lasting opencast mining contracts in the country. The UK opencast operations produce more than 3.5m tonnes of the company's 5m tonnes a year of coal, most of the rest being mined in the US (1m tonnes) and Poland (150,000 tonnes).

Operating profits have been "My merchant bankers said I generally healthy and Mr Hothave a 25 per cent stake, will make about £9m on turnover of £110m this year.

Mr Hotson is respected among his mining peers. "He is bright and sharp," says one British potential rival bidder for British Coal. "He knows the industry inside out." But Mr Hotson's 10-year period at Ryan has had some fraught moments, most of them emanating from an abortive attempt to merge with Carless, the UK oil independent in 1988, and a subsequent decision to mount a highly leveraged £70m manement buy out at Ryan.

With coal companies poorly rated at the time, the buy-out must have seemed a good idea for a company which had long term plans and thought the stock market concentrated too much on the short term.

But the high debts incurred in staging the MBO was the main reason why Ryan made losses of £4m two years ago. In spite of a financial restructuring, which involved Electra, the venture capital group, taking a 25 per cent stake in the company, debts remain high at £60m. The debts will also reduce pre-tax profits to about £4m this year from £9m at the operating level.

Rivals say the indebtedness puts Ryan at a disadvantage. especially as the company cannot tap the stock market for



Crispian Hotson: I've been waiting for this moment for 10 years

funds. Mr Hotson sees no disadvantage, saying that a private company has as much access to equity capital, and is confident of being able to bid for all three regions, the north-east of England, Scot-land and south Wales, where

he has pre-qualified. Ryan's negotiating power should be strengthened by its decision to mount two of the potential bids with partners -Alcan, the Canadian aluminium company, in Scotland, and Miller, the construction group, in the north-east of England. And if they are successful,

Mr Hotson has no doubts about Ryan's ability to make a success of assets which British Coal has struggled to make

"When the UK coal industry was producing 100m tonnes a year it was never going to be competitive. But it can certainly make money at half that level," he says.

Ryan would consider employing different mining techniques from British Coal and would try to involve employees more, not least through share ownership schemes. None of this is particularly unusual. What marks Mr Hotson and Ryan out from the pack are their staying power. "He has hung on in there through thick and thin for a decade," says one coal executive. "No-one could call him an opportunist. He deserves at least something from the British Coal spoils."

S&N plans to sell more pubs

Scottish & Newcastle is holding discussions to sell the remaining 270 Chef & Brewer pubs held by Morgan Grenfell, following Thursday's completion of the sale of 450 C&B pubs to Mr Michael Cannon.

S&N, the brewing and leisure group, acquired Chef & Brewer last November and was obliged to sell down 748 pubs in order to comply with the Government's 1989 Beer

These pubs were switched into holding companies controlled by Morgan Grenfell, and there are 270 pubs remain-

two and a half years from

Bredero dissidents seek to block bid

By Simon Davles

A group of private shareholders accounting for more than 10 per cent of Bredero Estates are preparing to oppose Slough Estates' bid for the troubled prop-Erty developer.

They claim that the offer, pitched at a 50 per cent discount to Bredero's share price prior to the announcement, is "unfair and opportunistic.'

At present, their opposition would be sufficient to block Slough's offer, which is conditional upon 90 per cent acceptances. However, Slough already owns 50 per

cent of Bredero and it stands to gain significant tax benefits if it can push beyond 75 per cent ownership. It is therefore likely

group of five holdings, are complaining about the valuations of the properties, which they feel do not reflect their potential performance in an improving property

Bredero's only significant remaining assets are development sites in Hammersmith and Glasgow. Its other assets, which at the peak of the market were valued at more than £100m, were sold to stave off its

The company was negotiating the sale of its half interest in the Buchanan Centre, in Glasgow, to pension fund group AMP Asset Management, before the Slough offer came in, indicating that there is out-

Bredero has built up substantial tax losses, which Mr Alex Henscher, one of recessary. will offer substantial value would crystalise its current net asset. The dissident shareholders, so far a to Slough, given more than £100m value.

of losses in the past three years. In addition, he says the offer attaches no value to Bredero's property management expertise.

"We are not looking for a higher offer, but prefer to see Bredfero continue in business, and hopefully rise from the ashes." he said.

However, Morgan Grenfell, the adviser to Bredero's independent board members, has fully supported the offer. The bank points out that Bredero's

standstill agreement with its bankers will last only until September, and the company would probably be forced to sell at least one, and possibly both, of its two

The valuations for these sites were made independently in December 1993, and unless these are exceeded, the company

	CROSS BORD			
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Sandoz (Switzerland)	Gerber Products (US)	Food	£2.5bn	Bid excites food sector
TCI (US)/Sumitomo (Japan)	√S	Cable TV	£333m	Two cable ventures
HJ Heinz (US)	Farley (UK)	Food	£94m	Books sells baby food arm
HJ Heinz (US)	Glaxo India (India)	Food	£47m	Glaxo focus on pharmaceuticals
Samsung Electronics (South Korea)	Lux (Japan)	Audio equipment	£13m	Taking 51% stake
Coutts Consulting Group (UK)	GBA (France)	Business services	£10.1m	Consolidating European position
Burnfield (UK)	Advanced Particle Measurements (UK)	Distribution	£1,3m	Cash deal
Unitor (Norway)	Unit of SNC-Lavalin (Canada)	Fire protection	n/a	Ginge-Kerr sold
Alcan Aluminium (US)	Leichtmetallwerk Nachterstedt	Aluminium	n/a	Buy from Treuhand
Great-West Life (Canada)/Axa (France)	JV	Insurance	n/a	China move planned

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PT Surveyor Indonesia (PTSI), headquartered in Jakarta, was established in July 1991 to progressively take over Indonesia's Preshipment Inspection Programme from Societe Generale de Surveillance SA (SGS) in line with Transfer of Technology

PTSI, a joint venture between the Indonesian Government and SGS, officially opened its United Kingdom office under the name Surveyor Indonesia (UK) on 1st April 1994. Surveyor Indonesia is committed to providing the same high quality of standards and procedure as has been provided by SGS.

Surveyor Indonesia (UK) is fully operational as of 1st June. While physical inspection will continue to be performed by SGS United Kingdom Ltd, all administrative activities relating to preshipment inspection of Indonesia's imports are being processed by Surveyor

Further announcements about the development of Surveyor Indonesia (UK) will be made in due course. In the meantime, if you have any questions, please contact the Indonesian Department at SGS United Kingdom Limited or Surveyor Indonesia (UK). 3rd Floor, Compass House, 207-215 London Road, Camberley, Surrey. GU15 3EY, Tel: 0276 21266 Fax: 0276 26051

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Frankfurt/Main, May 1994 COMMERZBANK 3/2

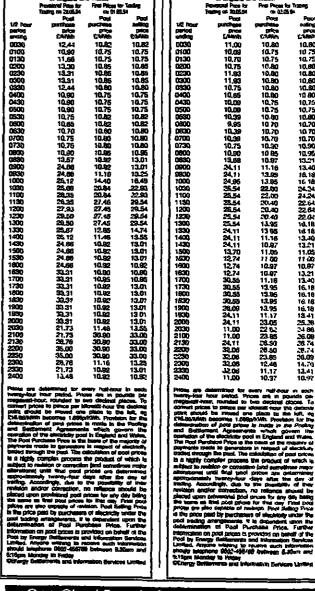
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COMPANIES AND FINANCE

Commerzbank sees signs of solid full-year results

By Christopher Parkes in Frankfurt

ispian Hota

HOS MAN DEALS

Commerzbank's partial operating profits rose more than 11 per cent in the first four months of this year, indicating a successful full 12 months, Mr Martin Kohlhaussen, chairman, told shareholders vesterday.

Interest earnings rose 6.9 per cent, due largely to strong demand for building loans, and commission income from securities trading was up 6 per cent, helped by a particularly strong month in January. Own-account trading made a

satisfactory contribution, in spite of more difficult conditions on international financial On full operating profits for

the early part of the year -after allowing for loan provisions - Mr Kohlhaussen said the group result was

higher than last time. The need for further provitions would decrease, he said although economic volatility still apparent in Germany and elsewhere meant there had been no easing in the credit risk situation.

The bank expected no losses on its exposure of around DM200m (\$121.9m) to the recently-collapsed Schneider property business. The buildings involved had been completed, Mr Kohlhaussen

Deutsche Bank, Schneider's piggest creditor, recently said it had provided some DM500m against possible risks. Mr Kohlhaussen said pre-tax

earnings had shown double-digit growth. He attributed this to the inclusion of extraordinary profits from the sale of stakes in the Karstadt retailing group and the DBV Holding insurance business.

who suggested the DBV deal with Switzerland's Winterthur was worth up to DM500m. However, the full effect would not show this year.

because the sale was to take

effect in several stages. Shareholders later approved a board proposal to increase the bank's authorised capital by up to DM400m. They also authorised the issue of up to DM2bn worth of convertible

bonds and other paper. Earlier this year, the bank raised DM945m through the issue of 3m new shares in a 1-for-10 rights offering. • Insurance group Aachener und Münchner Versicherung reported a 7 per cent rise in premium income in the first four months of this year. Com-

with a post-restructuring \$40.8m, 18 cents, in 1993. The period, to 30 April, was the first full quarter since the bined with falling claims, this US patent on Naprosyn led to a "very satisfactory" expired last December. To start to the year, the annual meeting was told. maintain its market share, the company sold its own lowmargin generic version of the drug and the compound to

other manufacturers.
In addition to the \$36m in the US, sales of Naprosyn, the generic product and the com-pound reached \$58m elsewhere in the world, compared with

heavily as

runs out

By Richard Waters

drug patent

Profits at Syntex, the US drugs

company being bought by Roche of Switzerland, slid in

the latest fiscal quarter, as

sales in the US of its leading

product, Naprosya, slumped to just \$36m, from \$200m a year

Operating income was

\$23.6m, compared with \$158.8m (before a \$140m

restructuring charge) a year

before. Net income of \$22.4m, or 10 cents a share, compared

\$62m a year before.
The falling sales of the high-margin branded product led to a decline in Syntex's gross margin to 71.5 per cent, from 77.8 per cent the year

Total sales for the period dropped be nearly a third to \$402m, from \$584m.

Sales of its other leading product, Toradol, fell to \$81m, a decline of 15 per cent from the previous year's \$95m. Analysts had been predicting a gradual increase in sales of Toradol compared with last

Canadian bank rises

First-half profit C\$102.5m or 54 cents a share, an increase of 20 per cent from the previous year's C\$85.1m or

Syntex falls Yen's rise hits Japan's shipbuilders

(Ybn)

Japan's shipbuilders and heavy industrial companies, which reported their first drop in annual profits for three years. are in a double bind.

Their worse-than-expected performance reflects the erosion of their proportionately high foreign earnings by the yen's rise, plus the continued decline in capital investment by customers in Japan.

Pre-tax profits declines, ranging from 15.3 per cent at Mitsubishi Heavy Industries to 0.8 per cent at Hitachi Zosen, underline how the shipbuilding divisions face another round of cost cuts if they are to become competitive with low-cost South Korean yards.

In most cases, however, shipbuilding margins were last year close to the previous year's. This was because Jananese vards were working

Hitachi Zosen Sasabo Hazw towards the end of the orders made up to two years ago, before the international plunge

ikawa-Harima Heavy, for example, reports that its order backlog has dwindled from a peak of 2.44m deadweight tonnes in 1991, to 1.27m dwt

in ship prices and demand. Ish-

Mitsubishi Heavy

Kawasaki Heevy Ishikawa Herima

Recent orders, taken at prices up to 20 per cent below those two years ago, will show through in earnings next year and the year after, indicating that "shipbuilding profits will be terrible", forecast Mr Matthew Ruddock, transport machinery analyst at James Capel Pacific.

119,20 20,40

Already, Sasebo, the smallest of the group, has admitted that costs are higher than the con-tract price for four of the nine vessels on its order books. This likely to be true of other builders. Among these are MHI, Mitsui Engineering and Shipbuilding and Kawasaki Heavy Industries, which are working on a joint contract for seven liquefied natural gas carriers for Qatar, at an estimated Y26bn (\$248.9m) per vessel,

rent exchange rates.

All this implies that the most diversified heavy industrial groups will do best in the coming years. Many of them increased their dependence on shipbuilding in the late 1980s to take advantage of a rise in demand - but are now having to retrench because of Japa

nese yards failure to compete. MHI, for example, has reduced its dependence on shipbuilding and steel structures to 18 per cent of sales, so that power systems now repre sents its biggest sector, at 27.4

per cent. IHI derived a mere 19 per cent of its Y862.9bn turnover from shipbullding last year, even after a 27 per cent jump in shipbuilding and offshore sales to Y165.4bn. Sasebo, by contrast, looks hadly expo with 70 per cent of sales derived from shipbuilding.

Havas considers US link

By Alice Rawsthorn in Paris

Havas, the French media and leisure group, is considering plans to expand its international interests through a part-nership with a US group in the multimedia field, according to Mr Pierre Dauzier, chairman. Mr Dauzier, speaking on French radio, said the group's plans were still in the early stages, but he hoped to start negotiations soon with a potential US partner.

"If we want to do something coherent and constructive we've got to find a partner in the States." he said. "We're considering the matter at the moment. Perhaps between now and the end of the year we'll be able to talk about an agreement with a US company. Havas has already expanded aggressively in the media

sphere since its privatisation in the mid-1980s. It is already the largest force in French advertising, through its Euro-RSCG subsidiary, with extensive interests in travel and

Mr Dauzier has made no secret of his ambitions of extending the group's influence in the multimedia field. He scored a coup earlier this year when he won control of Canal Plus, the dynamic

French pay TV group, after forging a controversial alliance with other shareholders which triggered the resignation of the founder and chairman, Mr André Rousselet

The Canal Plus coup fol-lowed an agreement which left Havas strengthening its links with France Telecom, the state-owned telecommunica-tions group that has become its partner of choice in multimedia. Mr Dauzier has also been increasing Havas's international interests with a number of deals in other European countries. He has long been committed to securing a foot-

FNAC returns to profits growth

By Alice Rawsthorn

FNAC, the French music and books retailer, returned to profits growth in the first half of the financial year with a 20 per cent increase in net profits, to FFr60.6m (\$10.8m) from

The group, which faces fierce competition from Mr Richard Branson's Virgin Megastores,

said it was on course for recovery after a sharp fall in net profits, to FFr31.9m, in the year to August 31 from FFr159.5m the previous year.

FNAC last year was destabil-ised by the financial pressures of the French recession, and by uncertainty over its future ownership. GMF, its old parent company, was forced to cede control to a consortium com-

FIDELITY INTERNATIONAL FUND (in dissolution) Société d'investissement à capital variable Kansallis House - BP 2174 L-1021 Luxembourg

International Fund, a société d'investissement à capital variable

incorporated under the law of the Grand Duchy of Luxem-

bourg, that the Fund has been dissolved as per the decision of

Consequently, as from May 24, 1994, those who were then

Shareholders have been issued with new shares in Fidelity Funds-International Fund. The old bearer certificates are to be

returned to the registrar Fidelity Investments (Luxembourg) S.A., Place de l'Etoile, BP 2174, L-1021 Luxembourg, for cancella-

INTERNATIONAL BANK

General Meeting of May 20, 1994.

reholders at an Adjourned Session of the Extraordinary

posed of subsidiaries of the Crédit Lyonnais bank and Compagnie Générale des Eaux,

the industrial group.
Although the economy is still under pressure, it has improved since last summer. FNAC, which also benefited in the first half from the opening of a store in Madrid, saw interim sales rise 5.5 per cent to FFr5.31bn from FFr5.03bn.

£328,000,000

Floating Rate Notes Due 1995

Notice of Final Redemption

National Bank, Canada's sixth biggest bank, reported secondquarter net profit of C\$51.9m (US\$37.6m), or 27 cents a share, up 27 per cent from C\$40.1m, or 23 cents, a year earlier, writes Robert Gibbens

French win German gas deal

The privatisation of eastern Germany's gas sector has been completed with Gaz de France, the state-owned French monopoly, buying the production and storage facilities of Erdöl-Erd-gas Gommern from the Treu-hand privatisation agency.

The sale also ends a long struggle between Vereinigte Elektrizitätswerke Westfalen (VEW), the Dortmund-based utility company which tried to acquire EEG, and Gaz de France. The French group ear-lier this year pipped VEW to the post by putting in a higher cash bid to the Treuhand.

By Kenneth Gooding

Reunion Mining, which has

copper and diamond explora-tion interests mainly in Zim-

babwe, has raised US\$9m

through a placing with Euro-

pean institutional investors, on

terms that give the company a

market value of \$30m. Its

shares are expected to start

Mr Michel Bellec, head of Gaz de France in Germany, declined to disclose the precise size of the cash payment.

"This purchase is part of our programme of internationalis. ing the company," said Mr Bellec. Gaz de France is the world's largest gas company, selling an annual 36bn cubic metres of gas. Last year, it recorded DM350m (\$213.4m) profits on turnover of more than DM15bn.

The purchase contract, which involves the French company investing over DM720m and guaranteeing 600 jobs in the eastern state of Saxony-Anhalt, gives Gaz de France a potential foothold in the region's gas sector. Eastern Germany's gas sector is run by Verbundnetz Gas (VNG). Ruhrgas, which enjoys a 70 per cent market share in western Germany, holds the majority of

Reunion Mining issue raises \$9m

stock exchange in mid-June.

Most of the money raised

will be used to bring into oper-

ation the Sanyati mine, 190km

west of Harare in northern

Zimbabwe. This is predicted to

produce 2,500 tonnes of copper

annually for the first four

years, and then 5,000 tonnes

for another six years. Costs

will be very low, at about 45

US cents a lb. Reunion will

shares in VNG.

want to use EEG more as a storage facility than as a production outlet, as the gas produced in eastern Germany is low quality. Known as Altmark gas, it contains about 70 per cent nitrogen and needs special burners and changes at a gas turbine before it can be

EEG has contracts to supply gas to VNG until 2005. although experts say Gaz de France has inherited unfavourable contracts because the delivery price is too low. VEW made the same point during its negotiations to acquire EEG. Altmark gas delivery contracts cost about 95 piennigs per kWh, and are priced at a 25 per cent discount from H-gas, the natural gas Germany imports.

own 75 per cent of the mine

but carry all the costs. The rest

will be owned by the Zim-

most active exploration compa-

nies in Zimbabwe, concentrat

ing on diamonds. The company

says it had completed regional

exploration of 43,570 sq km,

Reunion is also one of the

babwe government.

Funds for UK arms of metal group

By Kenneth Gooding, Mining Correspondent

Metallgesellschaft, the German metals group, has injected fresh funds into two UK subadiaries as part of its policy of strengthening core trading activities. The move comes in spite of deep financial troubles

at the company.

The paid-up capital of its London Metal Exchange trading business, Metaligesells-chaft Ltd (MGL), has been increased from £33m to £47m (\$70.5m), Mr Michael Hutchinson, managing director of MGL, claimed this made his company the most heavily cap-italised ring-dealing member of the exchange.

In the six months to March 31, MGL - which is 86 per centowned by Metallgeselischaft. 9 per cent by MIM of Australia, and 5 per cent by Nissho Iwai of Japan - made record pre-tax profits of £22.3m, compared with £10.4m for the whole of the previous 12 months.

Metaligeselischaft has also injected a \$30m long-term subordinated loan into The Metal and Commodity Company, its representing 11 per cent of the surface of Zimbabwe. physical non-ferrous metal trading arm in London.

trading on the Luxembourg

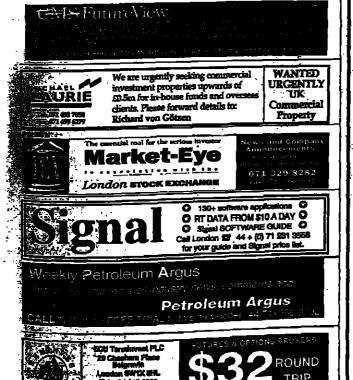
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FOR RECONSTRUCTION AND DEVELOPMENT US \$ 250,000,000 FLOATING RATE NOTES DUE 2002 hinterest period: May 27, 1994 to November Interest payment date: November 28, 1994 Interest rate: 4.45% per annum Coupon amount: US\$ 228.68 per note of US\$ 10,000 US\$ 2,288.81 per note of US\$ 100,000

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ublishes a full colour Art section devoted to art and antiques. The weekend FT is

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THE FINANCIAL TIMES PUTTING THE COLOUR. BACK INTO ART

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Join JAL Mileage Bank Europe and new members who book and complete an Executive Class return journey to Japan before 30th June 1994 can get an Economy Class return free. Offer ends 30th June 1994. Call for details



UK COMPANIES

I TOMORROW COMPANY MEETINGS: Neverk, Notingturneh Singer & Friedlander Street, Bishopegala, E World of Leather, No N.W., 12.00 BOARD MEETINGS: Pret: De La Rue Physics
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Lane, W., 11.00 Temple Place, Szand, W.C., 3.30 BOARD MEETINGS: Finals:

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IN THURSDAY JUNE 2 COMPANY MEETINGS: Beattle (1), 71-78 Victor

Peridins Foods, The Hower Temple Piece, W.C., 10.00 Scottlish Television, Cource Glasgow. 12.00 BOARD MEETINGS: Drayton Eng. & Int. Tat.

THE WEEK AHEAD

B FREDAY JUNE 3

Suite, Marriolt Hotel, Dyon, Al

Hond, Stoke-on-Trent, 2.50

12.00

Ulphor Television Bellect, 12.00 BOARD MEETINGS:

DIVIDEND & INTEREST PAYMENTS

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BY TOMORROW Addisons 74% Cox, Rd. Crx, Pf. S.B75p Allied High Bits, Undated FRN 3586.85 Allied-Lyons 564% Crx, Pf. 1252p Do. 744% Crx, Pf. 22625p Acath: Bear (Hoat.) 7.3% Crd. 76; Y750,000 AT 8 T Global Inits. 49; 93485 52 Do. 365% Y953.96 9.0.25 Automated Security 6% Cx. Crx, Rd. Pf. 3p Automated Security 6% Cx. Crx, Rd. Pf. 3p Automated New York Cx. 79; Do. 325% Crx, Pf. 1.75 Do. 325% Crx, Pf. 11.75 Dr. 325% Crx, Pf. 11.75 Br. Scottlerd 594% New-Crx, Irred. Pf. 4,853 Br. Scottlerd 594% New-Crx, Irred. Pf. 4,853

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CONFERENCES & EXHIBITIONS

DEVELOPING NEW PRODUCTS FOR GLOBAL MARKETS: THE

Yen, D-Mark and Sterling.

the Malaysian Ringgit.

OPPORTUNITIES A national one-day conference organises the Design Museum in conjunction with DTI, which will tackle the fundame issues of new product development and its impact on profitability and competitiveness. Contact: Conference Secretariat, Northern

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COURSE - MONEY MARKET
Training in traditional Cash market
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JUNE 8 BRAZIL: GENERAL ELECTIONS Political and Economic Prospects
The Brazilian Embassy is organising a seminar up "Brazil: General Election Political and Economic Prospects". The seminar will take place at the Waldorf Hotel on the 5th June 1994. For further information, please contact the Press Office, Bezeilian Embassy. Office, Brazilian Embassy. Tel: 071 499 0877 Ext 234

LONDON

Tools & Tips of The Trade One-day seminar, sponsored by Investor Relations Society, on all that's new and coming edge in investor relations. Venue: Le Meridien, Piccatilly. Speakers. Rolls-Royce,

INVESTOR RELATIONS:

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BET, Kleigwort Benson, SG Warburg. Pauffley, Undgate Communications. Contact: Base Associates Seminars Tel: 071 497 2225 Fax: 071 497 9295

JUNE 9-10 BUSINESS PROCESS RE-ENGINEERING SEMINARS & WORKSHOPS

WORKSHOP'S
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avactables. Course book available. workshops. Course book available. Repeated September 19-20. Contract: Richard Parris, Vertical Systems Intercede Ltd Tel: +44-455-250266 (24 hours) LONDON

FT Foreign Exchange Survey.

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JUNE 12-17

ALPHATANIA THE PRACTICAL ESSENTIALS
OF NATURAL GAS
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who are newcomers to the gas business,
and specialists who are unfamiliar with
certain commercial/technological surcess. certain commercial/technological aspects and need to broaden their knowledge. Programme covers whole spectrum of gas business from exploration through to end-

users. Contact: Anita Gardiner, The Alphatania Group, London -Tel: +44(71) 613 0097 Fax +44(71) 613 0094 CRICKLADE, ENGLAND

JUNE 13 & 14 **BUSINESS PROCESS** TRANSFORMATION MAKING STRATEGY HAPPEN

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This conference will place great emphasis on proven tools and techniques and the practicalities of transforming your business processes. There is no one prescriptive set of rules. But there is enormous experience to be tapped. Hear how leading edge practitioners have made their strategies happen.

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JUNE 14 MANAGEMENT BUY-OUTS Management buy-one are established and well recognised transactions. The comprehensive programme of this conference, in association with Gresbam Trust, will provide an in-depth examination of MBOs. The emphasis will be an arrestical during with creating the control of the companion of the compa be on practical advice with case studies from directors who have led successful agement buy-outs. ector Conferences 071 730 0022

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JUNE 16 **ECONOMIC APPRAISAL**

Based on policy reviews and case studies this Conference will offer the opportunity to compare practice in the public and private sectors of the serospace industry. Keynote Address - Sir Donald Spiers. Contact: Royal Aeronautical Se Tel: 071-499 3515 Fax: 071 499 6230 LONDON

JUNE 16 PROSPECTS FOR LOCAL MARKETS AFTER THE RECESSION Aims to highlight strategic influences

affecting local markets and economies, heiping to develop new ideas and more effective local marketing strategies for the Cost £50 + VAT Contact: Jacqui Gotts Tei: 071 353 9961

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JUNE 16 THE GOVERNMENT'S **DEREGULATION PROGRAMME** -Second Phase: the Practical implications for UK Companies Speakers include Michael Heseltine MP, Stephen Dorrell MP, Michael Forsyth MP, Charles Wardle MP, Steven Nortis MP, Ian Sproat MP, Francis Mande, Head of lan Sproat MP, Francis Mainte, Neau or Deregulation Task Force, Task Force members and Peter Morgan, Head of IoD. Contact City & Financial Conferences Tel: 0276 856966 Faz: 0276 856566

BUSINESS PROCESS RE-ENGINEERING

On Thursday, June 2 the Financial Times will publish an in-depth survey of

It will also discuss the explosion of investor interest in emerging markets, which has prompted a growing awareness of 'exotic' currencies such as the Turkish Lira and

Other areas covered include the difficulties of integrating former communist

Foreign Exchange. It will look at the principal causes of fluctuations between Dollar.

countries into the international employment and monetary system. And it will examine the

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need for greater stability and new 'rules of the game' in the currency system.

BPRE can help you make dramatic improvements in operating performance: reduced lead times, improved quality and reduced costs. Find out how at this CIMA Contact: Evanna Motris,

CIMA Mastero

JUNE 17 THE LONDON SCHOOL OF ECONOMICS

Lessons From Japan designed to familiarise British manufacturers with methods of subcontracting used in Japan. The Course is based on a recently completed research programme carried out in Japan by Dr Gletzmann of the LSE. ct: LSE Short Courses Office on 071 955 7227 LONDON

APPLYING GLOBAL BEST PRACTICE TO IMPROVE

LONDON PERFORMANCE
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JUNE 22 THE GLOBAL MARKETING ENVIRONMENT New Opportunities in the New World Order The Henley Centre's one day conference considers the key drivers of change for international markets and marketing. Particular interest to those developing strategy for international organisa

and bra Cost: £350 + VAT Contact: Attna Harman Tel: 071 353 9961

JUNE 22 & 23 IMPLEMENTING PRACTICAL PERFORMANCE MEASURES ACROSS YOUR BUSINESS PROCESSES

This conference is designed to take the delegate through a structures learning programme consisting of 13 practical case studies illustrating how to implement and operate performance measures in Customer Service, Quality and Human Contact: Strah Pearce Tel: +44(0)71 637 4383 Fax: +44(0) 71 631 3214

JUNE 23
TOTAL INNOVATION
MANAGEMENT: IDEAS INTO
ACTION FOR IMPROVED
PERFORMANCE & PROFITABILITY PERFORMANCE & PROFIT ABILITY
Innovation matters. Directors know this.
The question is how to engineer your
organisation for the appropriate levels of
innovation. This conference, chaired by
Robert Heller is organized by The
Stategic Planning Society.
Coptact: Jo Mainee, The Strategic
Planning Society Tel: 071 636 7737

JUNE 24 CHINA: OPEN FOR TRADE AND INVESTMENT

Business intelligence for firms assessing opportunity in China. Speakers from DTI. Glazo, Manchester Business School. GIARO, MARCHESTER BUSINESS SCHOOL, LSUCASTER University Management School etc. Session on cross-cultural business eriquette. Panel discussion with experts from Chinese Embassy, Foreign office, Chinese Britain Trade Group. Contact Suo Eccles 0524 594013 Fax 0524 381454

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JUNE 28/29 INTRODUCTION TO RISK

MANAGEMENT Training course covering treasury derivative markets, Currency Options, SAFEs, FRAs, Phumes, Interest rate swaps and related products. For Corporate Treasures, bank dealers and marketing according forced forces of the controller executives, financial controllers, sys and support personnel. £480 + V.A.T. Lywood David International Ltd. Tel: 0959 565820 Fex: 0959 565821

JUNE 29 BENCHMARKING AND STRUCTURED MANAGMENT Understand how to achieve a cohe

transwork for menaging im transvock for managing improvement on the operation and how to internally benchmark key processes (Ref WCM9) Consect Vicki Welham, World Class International Ltd Tel: 0705 268133 Fact 0705 268160

JUNE 29-30 EUROPEAN CAR INDUSTRY: Fighting for Survival - Is Leasing the Answer?

HAMPSHIRE

Rey officials from ADT, Avis, ALD Leasing, BBV Leasing, Dial Italia, Debis, Eurotax. Finance and Leasing General Motors, In Nederland, Lease Plan, PSA, Toyota, Volkswagen debate the above issue. Further details Contact Paula Blay, Engineery Tel: 071 779 8763 LONDON

JULY 11 PRIVATE SECTOR INVOLVEMENT IN PUBLIC SECTOR SERVICES - THE WAY AHEAD

This event examines the future of ting for quality in the public sector in the UK and overseas against the background of results to date. Organised by Quadrilect. Price £295 + VAT. For brochure telephone: 071 342 4141 LONDON

US GOVERNMENT PROCUREMENT CONFERENCE

Policies, Procedures, Legal Issues and Diversification Opportunities
A high level seminar with US speakers from the Washington-based British
American Business Council; the American
Bar Association, the first secretary
(commercial) of the British Embassy and speakers from Coopers & Lybrand and the University of the West of England. Costact: Richard Dennery, RDA Tel: +44 275 856700 Fax: +44 275 858569

BRISTOL

Fax: +44 (0) 71 381 8914

JULY 4, 4-6 AND 7 & 8 MANAGING HUMAN RESOURCES IN R&D

Managers of technology and human resources. Organized by the journal 'R&D Management' and by Manchester Business School 'Advanced Practices for Managing Technical Professionals' - sentingr - £60. Workshops - £55; Research Conf £325 reside Tel: +44(0)61-275 6338/6449

Fax: +44(0)61-273 7732 MANCHESTER

JULY 4 - 8 THE JIT/KAIZEN WORKSHOP As featured on FT Management Page on 4th January: Five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Five video and copy of FT article also available. Contact: Seeale History, Knizzen Institute of Huscon Fax: 071 713 0403 SOUTH WALKS Tel: 071 713 0407

JULY 5/6 INTRODUCTION FOREIGN

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MARKETS
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LONDON

JULY 5 & 6 NCC94 'EMPOWERING THE ORGANISATION' -The Business of IT This conference will focus on practical advice on how new and evolving IT solutions are being used to develop effective. real-world, business strategies. NCC94 is specifically tailored for senior IT

professionals and senior corporate exacusives requiring updates on changes involving IT.

Contact: Carol Wright Nat. Computing Control Tel: 061-228-6333 or Fact 061-238-8049 The conference provides a complete guide to the leasing industry in central and LONDON JULY 6 SECOND CITY OF LONDON **DERIVATIVES CONFERENCE** Bankers, regulators and users discuss

Bankers, regulators and users useen to supervision, capital adequacy, new product development and problems in the markets. Sponsored by CSFI, Tokai Bank Europe, Arthur Andersen, Freshfields, Lombard NIMA laternational's international conference featuring top direct response television executives from North America and Europe. In-depth discussion on Risk Systems and Rolfe & Nolan. Details from: Cityforum Ltd regulatory issues and current DRTV trends, followed by six workshop sessions. Tel: 0225 466744 Fax: 0225 442903 Contact: Vivien Wallace LONDON Tel: 071-630 9977 Page 071-630 9806 JULY 7 PRACTICAL ANALYSIS OF THE NEW INSIDER DEALING

JUNE 28 & 29 AND TIPPING OFF LEGISLATION **EUROSECURITY '94** LEGISLATION
Sentinar at The Law Society covering new provisions to Criminal Justice Act 1993, Stock Exchange Guldance. Corporate Finance & EC Directive 1989, High level speakers from the Bar, New Scotland Yard, Medla & City Law Firm, Alun Jones QC Chairman & Gilbert Gray QC luncheon address. IT Security, Industrial Espiousge and Fraud Prevention Conference. The international macting place for company executives operated with IT security. All aspects of IT protection will be covered by world-renowned expo Société Générale de Dév med experts in this field. Telephone (+322 512 46 36) luncheon address. INTERFORUM Tel: +44 (0) 71 386 9322

AMSTERDAM

PUBLIC NOTICES

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

Notice is hereby given that the first Annual General Meeting of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at 28 St Andrew Square, Edinburgh on Thursday 16 June 1994 at 2.30 pm for the

. To consider the Company's Report. To approve the aggregate ordinary renumeration to be made available to the Directors of the Company.

To reappoint the Directors of the Company reticing by rotation at the Meeting

(a) The Rt Hon Lord Younger of Prestwick KCVO TD DL

(b) Barry E Scaley CHE BA (c) Charles F Sleigh CA Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to amend and vote instead of him. A proxy is emitted to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (at the following address), must be deposited at 28 St Andrew Square, Edinburgh before 2.30 pm on Tuesday 14 June.

Every Qualifying Policyholder whose policy, as at the communication of the

Meeting, has been at least one year in force is entitled to attend and vote at the Meeting. 'Qualifying Policyholders' for the purposes of this Meeting comprise any person who was a member of Scottish Equitable Life Assurance Society (the Society) and whose policy, having been transferred from the Society to Scottish Equitable pic, is

ement of the Meeting. Any queries in respect of the qualification of policyholders to altend and vote a the Meeting should be addressed to the Company Secretary (at the address specified below).

By Order of the Board

PR Orace Managing Director

CONFERENCES

UNIVERSITY OF OXFORD

THE MATHEMATICS OF FINANCIAL DERIVATIVES - AN APPLIED APPROACH with Wilmott, Dewynne & Howison

20-21 June or 23-24 June 1994 For further details/to book

Tel: CPD Centre at Oxford University on 0865 270285

28 St Andrew Square, Edinburgh 15H2 1YF **LEGAL NOTICES**

> In the High Court of Justice
> Chancery Division
> In the matter of GWH Group pic and in the
> matter of the Companies Act 1985
> NOTICE IS HERGELY OVEN that a Position NOTICE IS HERRENY OVEN that a Patition was on the 17th day of May 1994 personnel to Her Majority's Right Court of Justice for the cancetration of the starm pursuams account of the above-neared company.
>
> AND NOTICE IS FURTHER, CIVEN that the said Patition is directed to be bessed before Mr. Registers Rackley at the Royal Court of Justice, Stand, Loudon WC2 on Wednesday the 6th day of Justice 1994.
>
> ANY Creditor or Shareholder of the said Company desiring to uppers the making of an Order for the cancellation of share premises account should appear at the those of besting in person or by Coursel for the propose.
>
> A copy of the said Patition will be furnished to say such person requiring the same by the underseasioned Solicious or payments of the regulated changs for the same.

regulated charge for the state. DATED this 70th day of May 1994 NICHOLSON GRAHAM & JONES 25-31 Movembe Loodon BC2R 6AR

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FINANCIAL TIMES

MARKETS

THIS WEEK

Election euphoria is waning in italy and the Milan equities market, which has far outperformed other leading European bourses

this year, has been falling steadily over the past two Those clever enough to have taken profits at the top will have locked in capital gains of almost 30 per cent since January 1 in local currency terms and roughly 40 per cent in dollar terms. Even with the recent slide, the market stands some 20 per cent higher in Lira

terms than at the turn of the year. So should investors sit tight in the hope of a rally, or lighten their Italian exposure in expectation of a further Trans-European jitteriness apart, the main reason for the slide appears to have been profit-taking by foreign investors, and a growing realisation among domestic shareholders

producing a united policy More technical factors also seem to have played a role. On a price/earnings basis the mar-ket looks highly valued, and it faces a series of heavy cash

that the right-wing Berlusconi

coalition has a fragile majority

and could face difficulties in

calls, both from rights issues and the government's privati-sation programme, with the sale of Ina, the state-owned insurer, set for June 27.

Investors may have been selling shares to raise their cash levels in preparation for Ina, and for tax payments which fall due around this time of year, suggests Mr John Stewart at InterEuropa in Milan. The bull case for the Italian market remains essentially intact. For all the Berlusconi administration's potential weaknesses, there is no serious political alternative.

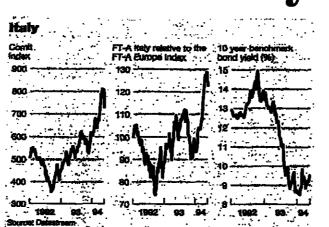
Its free-market platform, promising fiscal austerity, accelerated privatisation, a looser labour market and tax breaks for business, should give additional impetus to what is shaping up as a strong cyclical upswing in corporate profitability from 1995.

Equity prices should also be underpinned by falling fixed income yields, provided the government fulfils its pledge to take firm action on the gargantuan budget deficit and inflation falls, as expected, below 4 per cent.

That said, the current correction may have some way to run. The market is likely to remain edgy, and the lira under pressure, until Berluscomi gives greater insight into his fiscal policies. The Comit index, which tested support

Global Investor / Martin Dickson in New York

The fat lady has not sung

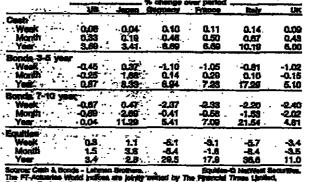


around 720 on Friday, could fall through 700 before finding solid ground, but could then present a good buying opportu-

Global telecoms A week today the Dutch Government will announce the precise share price for the flota-tion of KPN, the state-owned

group. With the prospective price/earnings ratio expected to be around 12, and the yield about 4.5 per cent, the conser vatively priced issue should fare reasonably, provided the European market recovers its

But with a flood of other telecoms offerings in the pipeline, in both Europe and Asia, the Dutch flotation raises the question of how investors can Total return in local currency to 26/5/94



make comparative global valuations in the sector. AT&T, for example, is selling on a prospective p/e of around 16 and a dividend yield of 2.5, Hong Kong Telecom's p/e is 19 and its yield 3.4 and some Latin American and Asian carriers

have p/es in the 20s. The most extreme disparities are due to the higher valuations the market places on

companies which represent

entered into the valuation equation: the degree of local competition faced by the wire-line operator (high in the case of BT and AT&T, low for KPN) and the extent to which the company is involved in interactive multi-media. Both are likely to clip valuations - in the case of multi-media because of high initial capital outlays and uncertain consumer demand.

ative to population), political

and currency risk, and the

quality of management.
Two other, relatively new factors need increasingly to be

None of these factors are sufficient on their own to explain the wide spread of current valuations. For example, a recent study by Baring Securities found a very weak correlation between p/e valuations around the world and teledensity.

But in an attempt to create a more rational investment framework, Barings has come up with a complex formula. factoring in potential expan-sion in GDP per capita and teledensity, which ranks the world's telecoms companies by growth opportunities over the

more plodding performance to be expected from the estab-lished "wireline" operators. Among the latter, differing valuations are due in large next six years.
Not surprisingly, its top five
(both mobile and wireline) are all in Asia: Dai Ni Denden, the measure to perceptions of national economic prospects, per capita wealth, teledensity (number of telephone lines rel-Japanese mobile company; Japan's NTT; Hong Kong Telecom (on the assumption its territory will also embrace the

mainland China hinterland): Singapore Telecom and Korea

However, many fund managers may be tempted to take the easy analytical course and use telecoms stocks as a rough and ready proxy for a particular national stock market.

Cable companies

The US cable television industry has been down in the dumps this past week. Its annual conference in New Orleans was dominated by complaints about the Federal Communications Commission, which insisted in February that the industry cut the price of its basic service by 17 per cent - a ruling blamed for scuppering at least two muchvaunted takeover deals between cable companies and telephone operators.

But for shareholders there is a silver lining: the sharp fall in US cable stock over the past three months means they are vary cheap. Ms Jessica Reif of Oppenheimer reckons that the largest US operator, Tele-Communications Inc, is trading at around 6 times 1994 operating cash flow, adjusted for debt and off-balance sheet assets. At prices like this, the tele-

phone companies may come calling again - though probably on smaller players, rather than giants like TCI.

Richard Mooney

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When politicians and opinion formers worry about an economic trend, it is often a sign that something is about

to go right. This could be the case with Britain's laggard investment performance, which has long been of concern to the government and groups such as the Confederation of British

industry. Investment has so far played only a small part in the UK's two-year-old economic recovery. The picture of a consumer-led upturn was apparently confirmed by last week's news that manufacturing industry's cenital expenditure fell in real terms by 1 per cent in the first quarter, compared with the final quarter of last year and the first quarter of 1993.

Recent CBI polls of manufacturers' investment intentions give little hint of strong growth to come. The April survey showed that the number of companies planning to increase investment in plant and machinery exceeded those planning a decrease by only 4 percentage points. The CBI's latest economic forecast cau-tiously predicts an increase in manufacturing investment of just 2.7 per cent this year and

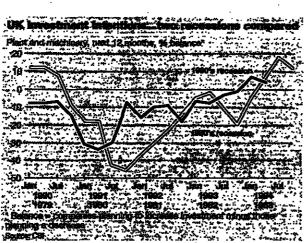
4 per cent next year. But the chart shows that a subdued level of investment intentions among manufactur-ers is not unusual for this stage of the business cycle. When the UK was at exactly the same point of recovery from the recession of the early 1980s, the balance of companies planning to raise spend-ing on plant and machinery

was also just 4 per cant. It turned out that April 1983 was the start of a two-phase investment boom. Central Statistical Office figures show that the quarterly level of business investment grew by a strong inflation-adjusted 32 per cent between the second quarter of 1983 and the beginning of 1985. After a pause,

FT-ACTUARIES WORLD INDICES

Economic Notebook

Investment hopes rise



the economy picked up again, after a hesitant start. so that in 1989 busine investment hit a record £71.25bn in 1990 prices and

terms than in 1968.
Capital expenditure by manufacturing industry – the type of investment surveyed by the CRI - only accounts for about a fifth of total business investment. It takes an even smaller share of overall UK gross fixed capital formation. This broadest measure of domestic investment, which includes some non-business investment such as housing, was up by 2.2 per cent in the first quarter of 1994 compared with final quarter of 1993 and was 3.4 per cent higher than in the first quarter of last year. The idea that the UK could

be heading for a period of robust investment has supporters in the City. Mr Leo Doyle, UK economist at Kleinwort Benson Securities, believes that investment in Britain is set to follow the US pattern of the past 12 months of strong growth

An extended neriod of lo interest rates has enabled

companies to repair balance sheets damaged by the recession and build up liquidity, providing a good springboard for increased investment. With UK final demand moving into its third year of recovery, Mr Doyle thinks "everything is in place for a year of double digit business investment

growth. Mr Kevin Gardiner, Morgan Stanley's UK economist, believes that capital spending will gather pace this year and next and give the recovery an extra boost. Corporate profits, he says, held up well in the recession and will continue to grow so that rates of return are likely "to return to levels

not seen since the 1960s."

Although Mr Eddie George the Governor of the Bank of England, last week told the Commons Treasury and Civil Service Committee that he was still concerned that UK companies were holding back

they were demanding too high a rate of return, Mr Gardiner thinks strong profits will mean that high "hurdle rates" may be less demanding than many observers fear.

However, Britain would not be Britain, if there were not some fly in the ointment.
James Capel's UK economics
team subscribes to the view that investment and manufacturing output will be increasingly important motors for the UK recovery over the next two years and believes that higher investment will eventually

strengthen Britain's exports. But, argues Capel's Mr Adrian Cooper. "Long term gain may imply some short term pain." Because Britain's investment goods industry is relatively weak, UK investment is very import intensive. Imports account for nearly 34 per cent of UK spending on fixed investment, compared with only 21.5 per cent of consumer spending. Strong growth in domestic investment could therefore lead to a short-term increase in Britain's current account balance of payments deficit.

to think that a revival of investment will ease the UK's current account problems in the longer term. In the jargon of economists, the UK can look forward to a deepening rather than a widening of its

industrial base.

The recession of the early 1980s left Britain an insignificant competitor in several manufacturing sectors. While the UK has some world beating companies and areas of excellence - such as pharma-centicals, processed food and jet engines - it relies mainly on foreign suppliers for many products, including machine tools, "white goods", such as refrigerators, kitchen furni-ture, and mens' suits.

Even if business investment takes off over the rest of the 1990s, it is unlikely to provide the industries that Britain no longer has, leaving it to depend heavily on imported manufactured goods.

0.7 222 173.10 189.97 114.24 147.93 150.87 178.97 155.17 182.40

Peter Norman

COMMODITY MARKET REPORT

Coffee takes a well-earned break

There is an enforced break today from the heat and hysteria that has held sway in commodity markets during the past few weeks. Public holidays in the UK and the US will give traders a chance for a breather, and the investment funds whose money has been mainly responsible for the surge in commodity prices will be given an opportunity to con-

sider where they go from here. Traders and analysts are split about the immediate prospects for the star performer, coffee, whose July futures

price jumped on the London Commodities Exchange from \$1,100 a tonne in February to a seven-year peak of \$2,348 last week, before falling back to close at \$2,004 on Friday. While most agree that coffee's rise is underpinned by a tightness in supplies, New York traders seem more confident than those in London that the price can find renewed strength this

pure plays in fast growing.

riskier and more lightly regu-lated telecommunication sec-

tors, notably cellular, and the

One event likely to take some heat out of the metals market is the Metal Bulletin copper conference, starting on

which usually attracts many of the world's top traders.

Copper has been leading other metals up or down on the London Metal Exchange but attention this week will also focus on nickel because the present labour contracts at inco's metals complex at Sudbury, Ontario, end tomorrow.

Inco is the world's secondbiggest nickel producer (after Norilsk in Russia) and Sudbury produces about 110.000 tonnes of the metal, mainly used in stainless and special

Wednesday in Vancouver, steels production, Inco's management delivered its proposals on Friday and unions and employees have been discussing them over the weekend. Some weeks ago a ballot gave union leaders a mandate to call

a strike. The market last week seemed to sense that there would be no industrial action as the three-month LME nickel price, which started with a rise of \$286.50 a tonne on Monday, fell steadily to close on Friday \$45 down compared with the previous week at \$6,427.50.



Ministry of Transport, Communications and Water Management, Republic of Hungary

Hill Samuel is advising the Hungarian Government on the tendering for the concession related to the M3/M30 Toll Motorway Project

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REGIONAL MARKETS			FI	REDAY M	Y 27 18	4					wy may	25 1994		DC	LLAR IN	DEX
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	175.60	5.3	172.88	115.95	160.21	159.49	-2.5	8.44	175.06	171.88	115.52	149.50	158,87	189.15	130.19	139.39
Australia (69)	170.00		173.10	118.23	: 150.57	150.77	-9.5	1.08	174.74	171.57	115.32	149.33		195.41	142.90	143.18
Austria (17)	174 DO	5.8	105.86	113.39	146,89	143,43	-1.1	5.54	172.36	189.24	118.75	147.30	143,86	178.67	141.92	145.15
Belgium (36)	496 89		128.63	86.37	111.89	131.42	0.9	2.57	131_21	126.63	86.50	112.13	131.70	145.31	121.48	
Canada (106)	054 75 37 350		247,42	108.14	215.22	220.51	-3.6	1,34	252,05	247.50	166.35	215.41	220,75	275.79	207.58	
Denmark (33)	440 98		148.82	98.58	127.71	169.12	12.9	0.86	149.04	146.34	90,36	127.37	169.15	166.72	85.54	97.79
Finland (28)	199.30 22 222	-3.4	167.01	112.14	145.25	149.78	-8.1	3.01	172,79	169.66	114,03	147.88	152.29	185.37	149.60	157.21
France (94)	100LEJ 100 ES		136.27	91.50	118.53	118,53	-6.4	1.74	138.20	126.70	91.21	118.10		147.07	107.59	
Germany (58)	135.00 60 700		380.93	255.79	331,36	384.46	-20.8	2.77	387,39	380.35	255.67	331,07	384,28	506.5¢	271.42	301,61
Hong Kong (56)			180.14	120.96	156.70	174,45	-5.6	3.48	185.70	180.36	121,24	155.99		200.33	155.03	
Ireland (14)			85.51	57.42	74.88	103.37	17.8	1,53	86.21	85.61	58.21	75,38		97,78	57,88	
key (80)	67.00	23.4	157.88	108.01	137,34	106.01	18.5	0.78	158.60	155.78	104,67	135.54	104.87	165,91	124.54	
Jepen (468)		-20.0	464.97	312.21	404.48	471.60	~23.1	1.42	474,47	465.90	313,14	405,49	472.28	621,63	312.51	343.34
Metryale (96)	473.1U	-11.4	2079.42	1396.27	1808.81	7057.08	-5.6	1.02	2124,44	2086.02	1402.04	1815.62	7008.31	2847.08	1431.17	
Meedaa (16)	2115.01	-0.5	194.88	130.72	189.36	167.09	-6.8	8.96	200.15	196.53	182.00	171.05	166.39	207.43	164,22	169.3?
Nethariand (26)	THE.US	8.2	88.88	48.24	50.90	69.29	-1,5	178	, 69.63	68.57	45.95	59.51	62.86	77.50	48,57	49.57
New Zeeland (14)	70.07		198.38	131.85	170.82	198.20	5.4	1.71	200.76	197.12	132.40	171.58		208.42	150.61	168,57
Horvey (23)	199.62	11,2	345.87	232.11	200,69	248.78	-8.7	1.52	348.71	342.41	230.14	228.01		378.92	242.48	
Strangere (44)	351.71	-4.3 -2.2	256.79	172.42	223.37	272.89	8.9	2.26	260.06	255.35	171,63	222.24	273.12	280.26	175,93	
South Africe (89)	_261.26			98.97	125.52	150.57	0.0	3.95	147.71	145.04	97.48	120.23	151.58	166.79	118,33	129.42
Spain 4421	148.84	5.5	144,42	152.18	194.56	250.08	7.3	1.54	226,40	222.81	149.42	193,49	259.48	231.35	153,85	181.58
aireasu (22) "Ill-III	_221,DI	15.8		104.74	135.69	138,13	-6.8	1.78	157.54	154.80	103.97	134,88	137.08	176.58	124,48	127.40
Suitzeriend (47)	_159.71	-0.9	155,98		156.65	180.08	-124	4.15	186.55	183,18	123.12	169.43	183,18	214.95	170.32	180.14
United Kingdom (205)	183.24	10.6	180.08	120.92	150.47	188.54	-1.8	2.87	186.43	163.08	123.04	159.32	186.43	196.04	178.95	184.89
USA (519)	186.54	-1.8	188.53	123.10	100,71						400.00	4 10 44			444	45.40
		-20	182,17	108.89	141.07	163.94	-6.8	8.02	186.55	163,54	109.92	142,33	155.32	178,58	141,58	
EUROPE (721)	-100.UI	12.8	210,15	141.11	182,80	212.67	5.3	1.41	213.27	200,41	140,75	182.26	212.56	220.60	155.82	169.41
Hordic (118)	213.83		188.27	111,85	144.64	116.03	. 9.7	1.04	167,31	184,29	110.42	142.90	114,74	169.18	134,79	155.70
Pecific Basin (750)	169.18	18.8	164.41	110.40	143,02	131,38	2.3	1.85	166,84	163,82	110.11	142.58	131.01	170.78	141.90	152.07
Exto-Pacific (1471)		7.9	179.94	120.82	156.52	182,78	-1.5	2.86	183.00	179,69	120,77	156.30		192.73	175,67	181,47
North America (825)	183.09	-1.8		99.74	129.20	137.03	-8.1	237	151.78	148,04	100.17	129,71	137.62	157.A7	122.37	126,81
EUrope Ex. UK (518)	_151,13	2.4	148.53	187.04	216.40	227.38	-14.6	2.61	252.57	248.10	166.76	215.94	226.89	295.21	182,38	193.99
Pacific Et. Japan (201)	253.12	-11.7	248.77		143.98	134.60	2.2	1.87	167.99	164,95	110.87	143.57	134.35	172,51	142.94	· 152.59
World St. US (1864)	168.41	7.1	165.52	111.14		147,89	23	2.03	171.78	168.67	113.37	146.80	147.53	175.58	163.22	-180.68
World Ex. UK (1988)	172.44	5.2	189.48	113.60	47.42	150.01	2 7	2.22	172.50	169.47	118.90	147.49	149.73	178.58	155.00	182.25
World Et. So. AL (2114)	179 00	.3.9	169,93	114.10	147.61		-45	2.88	182.90	179.50	120.71	158.30	177,07	195.20	165.72	169.96
World By James (1700)	199 98	-2.9	179.22	120.34	155,90	176,56				11 4144						
World Ex. Japan (1704)	90ب20				410.07	450 04	n7	2 22	173.10	188 97	114.24	147.93	150.67	178.97	155.17	182.40

Jointly complied by The Financial Times Ltd., Goldman, Sacins & Co. and NatiWest Securities Ltd. in conjunction with the institute of Actuaries and the Faculty of Actuaries

NEW YORK Richard Waters

Employment figures have developed a habit of spooking the Treasury market. A month ago, news of a 267,000 increase in non-farm payrolls for April wiped two points off the price of the 30-year bond. The bond had earlier tumbled one and a half points on news of a 456,000 increase in March (later

revised to 464,000). The memory of those routs will make the markets nervous ahead of the May figures, due out on Friday. Most economists are expecting an increase in non-farm payrolls of about 300,000, with the unemployment rate unchanged from the previous month at

6.4 per cent. Anything higher would rattle the markets afresh Last Friday, first-quarter GDP growth was revised up to 3 per cent (most observers had been expecting a downwards revision, to 2.4 per cent). employment growth would imply a pick-up in consumer spending, in turn leading to

Benchmark vield curve (%)*

10 years 20

higher GDP growth in the current quarter. It may be less than two weeks since the Federal Reserve appeared to put the market out of its misery with a half-noint interest rate rise but the bond market is already getting another bout of the

The National Association of Purchasing Management's May index, due on Wednesday will set the tone ahead of the employment numbers.

iitters.

LONDON

With the trading week shortened by the Whitsun holiday, and few important economic statistics due, analysts expect little scope for a glits revival this week

The main influence, again is likely to be overseas bond markets. Last week, gilts were hit by German bund market weakness and the strong US GDP number, this week, US non-farm payrolls and the purchasing managers' index may prove to be pitfalls.

Following last week's cautious statements about further German interest rate cuts, the Bundesbank's repo reduction will also be closely watched. "Anything less than a six basis point cut will be bad for bonds," said Mr Sanjay Joshi, head of bond research at Daiwa Europe. Figures for UK M0 in May

are expected to show a sharp

jump in the annual growth

rate, to around 7.1 per cent

in May from 6.2 per cent in

April While M0 is not a very

Markets. "But recent losses limit their appetite for stock. Short-term sentiment is shot

Philip Coggan

Benchmark yield curve (%)* early June.

market, such strong growth will not help sentiment. In any case, economic fundamentals do not seem to be the major influence. "Ten-year gilts on a 8.5 per cent yield should be really attractive to institutions on fundamental grounds" said Mr Ian Shenherdson, UK economist at Midland Global

FRANKFURT

The focus of the German government bond market this week will be the figures on new manufacturing orders and industrial output. Attention will also be directed towards the next government auction. expected to be of likvear bunds, which is scheduled for

After the Bundesbank was forced to call off its auction of four-year treasury bills last week due to lack of bids, analysts think this next sale will be a good test of the market's health. Most analysts reckon there will be enough demand for the auction to go ahead successfully. Economic data will be

scrutinised for signs of stronger economic growth, Mr Nigel Richardson, head of bond research at Yamaichi, thinks final figures for industrial output in March could show a marked upward revision in manufacturing output, which would set a more cautionary tone for the week. Some analysts say there is

7.7 6.7 6.2 5.7 10 yrs 20 ...

Graham Bowley

potential for further falls in German bonds amid continuing fears that short-term interest rates are not about to fall further.

However, Mr Peter Kerger head of futures and options at NatWest Markets in Frankfurt, is more optimistic He was surprised bunds did not fall further than they did on the back of Friday's slide in US Treasuries, and save this bodes well for this week.

TOKYO

Japanese government bond yields continued to ease last week, and are expected to fall further this week, ignoring the turbulence that has dominated US and Europe bond markets.

Some observers are looking for Japanese 10-year bond yields to reach 3.5 per cent during the summer, compared with the current 8.73 per cent level, as domestic conditions remain favourable.

Amid strong rumours in Japan that some short-term interest rates may soon be cut, economists say there is increasingly strong pressure being put on the Bank of Japan to ease monetary policy. They point to the favourable inflation outlook, sluggish monetary growth and non-existent bank lending. DKB International, part of Dai-Ichi Kangyo Bank of Japan, said the authorities

may wish to lower rates in

into the equity market as a

recovery in the Nikkei could

order to divert funds from cash

Benchmark yield curve (%) 4.8 ---3.8 2.8 VESTS

provide an important boost

to confidence Bonds should be helped by a stable currency in the near term following the decision of the US and Japan to resume bilateral trade talks. Underlying confidence in the

dollar appears fragile. Official data released last week indicated continuing weak consumer demand, with department store and supermarket sales down 3.5 per cent year on year.

Capital & Credit / Conner Middelmann

Europe endures cycle of price pressures

It has been the same pattern for months now: each time Europe's bond markets edge cautiously higher after a bout of weakness, they get hattered by another wave of selling pushing prices to new lows. Last week, European government bond markets were sublected to their latest pummeling, with Germany leading the way. By Friday, the yield on the 10-year benchmark bund had vaulted to 6.87 per cent, from 6.47 per cent a week earlier. Europe's other markets have been dragged down by the German sell-off, and stock markets have followed.

Early in the year, it was the US Fed's monetary tightening which prompted the sell-off in world bond markets. And while US Treasuries dragged European bonds lower, Europe managed to outperform the US during that period. Now, Europe is racked by its own worries, and is underperforming the US.
This puzzles many observers,

who feel European bond markets are defying their bondpositive fundamentals of declining inflation and slow economic growth, accompanied by continued cuts in

The latest wave of selling was triggered by comments from Bundesbank president Mr Hans Tietmeyer which were taken to mean that German, and by extension European. interest rates don't have much further to fall. The futures market began pricing in monetary tightening as early as December, with the threemonth Euromark contract discounting German three-month interest rates at 5.2 per cent by year-end, up from the current

The Bundesbank's cancellation of its scheduled auction of four-year treasury bills on Wednesday sent further shudders through the markets, raising fears that Bonn was having problems finding takers for its massive debt programme. Moreover, some countries seem to be staging stronger-than-exected economic come-backs which, with rising commodity prices, have reinforced fears of

hort-term interest rates

yield curve. The psychology is incredi-

recovery, some expect a period of consolidation, interspersed with some trading rallies. a pick-up in inflation and higher interest rates. Battered by wave after wave meyer on Friday clarified that

of selling, shell-shocked investors have fled to the sidelines, holding most of their funds in short-term instruments which are protected against price swings at the long end of the

bly weak - some people who used to be really confident players are now saying they're nervous, confused and unsure where to go," said Mr John Hall, head of European interest rate research at Swiss Bank Corporation. Banks' propri-etary trading desks and hedge funds have also scaled down operations, shying away from the volatility that has been plagueing markets for months. However, many analysts feel the gloom has been overdone, and while few see a strong

Many still pin their hopes on the Bundesbank, which is expected to continue lowering its securities repurchase rate over the summer, even if it leaves its official rates unchanged. Indeed, Mr Tiethis recent comments referred only to official rates, not the repo rate. "Money market rates must be free to move within the bands [set by the Lombard and discount rates] and that naturally includes the repo rate." he said. The discount rate stands at 4.5 per cent and

the repo rate is at 5.20 per cent. "Once people realise the Bundesbank is continuing to ease, that could bring some life back into the market," says Mr Werner Krämer, bond strategist at DB Research in Frank-furt. But he warns any recovery is likely to be "gradual, with the danger of setbacks". While Mr Kirit Shah, inter-

national strategist at First Chicago, feels the begrish trend remains intact, he recommends buying 10-year bunds as their yield approaches 7 per cent. "This offers good support, and there is a reasonable chance that yields will head back to 6% per cent,"

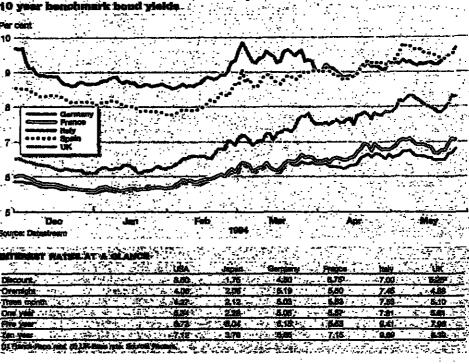
However, even if Europe returns to calmer waters as the Bundesbank continues its cautious easing policy, it will remain prone to transatiantic shocks - as last Friday showed. The upward revision of first-quarter US GDP sent Treasuries tumbling, dragging Europe sharply lower.

"Europe is still very much tracking the US, where monetary policy is still not seen to be in neutral," says Ms Alison Cottrell. international economist at Midland Global Mar-

With most European countries having to fund hefty budget deficits, supply pressures also won't help markets. "The auctions schedules will remain burdensome in the absence of stronger investor participation. and supply will exert further upward pressure on real yields in an environment of economic recovery and reductions in liquidity," says Mr Kit Juckes, ternational economist at SG

In the current environment Mr Hall at SBC suggests buying two- to three-year German debt which, he says, "still offers very, very good value" after the recent sell-off at the short end. For medium-term investors,

he recommends buying bunds



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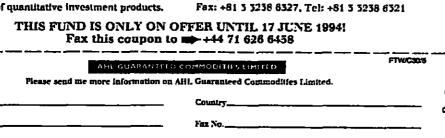
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Bahrain: Arthur Bradiy or Antoine Massad Fax: +975 533 078, Tel: +975 533 288

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International / Peter John

Big borrowers ride out turbulence

eurobond market, hell is something other people go through.
Investors and banks might be running scared, but the

large companies and countries which raise funds in the market claim to have weathered the recent bond market storm and fulfilled their requirements, at least for now. Merrill Lynch shows in its

most recent statistics for surobond issuance that in February, March and April this year, \$75.5bn of debt was launched, a figure sharply below last year's \$104.7bn but well up on previous years.

And floating-rate note (FRN) issuance, the attractive choice in a climate of rising interest rates, is higher than at any time in the past six years.

The world's biggest borrow-

ers all claim to be up to date in their funding programmes this Mr Veikko Kantola, Finland's director of finance, says:

'We have already raised \$4.5bn of a proposed \$6bn to \$7bn." Officials at the Swedish national debt office say twothirds of the country's \$10bn annual borrowing programme has been fulfilled.

Abbey National, the UK bank, says it doesn't have annual quotas, but is "very comfortable" with its funding

Mr Jean-Claude Bresson. deputy manager of capital markets at the European Investment Bank, shrugs off any suggestion of a funding

Issuers may be sitting pretty, but for the syndicate managers who launch the deals, it is a different story. Privately, and in relation to offerings from rivals, they say deals are being priced too aggressively as banks fight for business. They add that large amounts of new eurobonds are returning to the

underwriters. One way to track the performance of a eurobond issue is through the yield spread at which it is priced over the relevant government bond. A rising spread suggests more supply than demand.

Among the first to take advantage of the seemingly more stable environment provided by the Fed rate rise almost a fortnight ago was the Republic of Finland, which offered FFr6bn of debt priced to yield 32 basis points above 10-year French government bonds. The lastic has widened to yield 35 basis points over on

Friday. A similar deal for the Kingdom of Spain saw the yield spread widen to 30 basis points

from 24 basis points at the. launch a week ago. Mr Thomas Keller, assistant director to the treasury at Germany's L-Bank, which has completed about half of its funding, says syndicate managers have found themselves at the mercy of a voiatile market. "Many bookrunners have so many honds that they don't have the flexibility to calm the markets. Every time the market goes up they sell into strength to unwind their port-

folio and it goes down again,

he says. The amount of debt on underwriters' books, fuelled by over-enthusiastic buying dur-ing last year's bull market, is difficult to quantify. However, the costs of carrying these bonds have increased because of the collapse in bond prices this year. in addition, the buyers' strike among investors has made it virtually impossible to

get rid of the bonds. Kidder Peabody, the US investment bank, estimates that in early April some \$8n of FRNs were unsold. It says the figure might have fallen to between \$3bn and \$4bn, but that the overhang is still depressing prices. Mr Tim Skeet, at Kidder's

capital markets desk, says those with big positions to unwind will suffer whatever happens in the markets. "Whether the market falls further or simply moves sideways, syndicates will have to start worrying about their costs and put greater emphasis on inventory turnover. Mr Jonathan Nicholls of

Abbey National's treasury

department agrees. There is a

would not be considering issu-ing a large transaction at this

time," he says.
The exceptionally high voistility in bond markets has left investors bruised and confused. With no clear idea of the direction the markets are taking, they prefer to be in a more heavily-traded arena such as government bonds, which can be offloaded more quickly than the less liquid eurobonds.

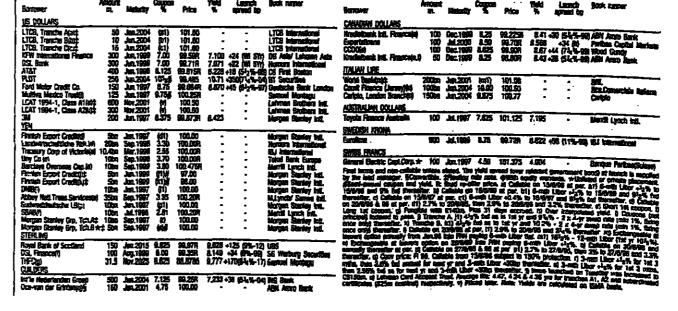
So who is buying? Eurobond salesmen pimpoint Swiss retail investors and wealthy individuals who have been attracted by the relatively high yield on short-dated dollar-denominated

However, insurance companies and pension groups, which are traditionally drawn to longer-dated maturities, are

keeping a low profile.
What buyers there are in the market are also being more selective, choosing to invest only in bonds issued by highlyrated or well-known names. And as Mr Roger Gray, head of fixed income and currency at Rothschild Asset Management points out: The highest quality issuers tend to be able to issue in any circumstance." However, if the sticky conditions continue, the investors

who are there will fall by the wayside and borrowers might find that their funding programmes and confidence fall off with them.

VEW	INTERNA	TIONAL,	BOND	ISSUES



Terry Byland

FY-SE-A All-Share

1,500

1,540

1,600

20

rebalancing, the headlong retreat

from the Footsie 3,000 mark is

distinctly worrying.

The sudden upset in equities underlines the wisdom of fund

cent. BZW believes the yield

background remains so difficult,
although possible regulatory

market concerns are resolved.

questions will resurface when the

sluggish personal spending undermine optimism. The market

reception for Marks and Spencer's

was identified early as an area primed

to benefit from economic recovery,

but has underperformed by around

comments that the European car

showing little sign of overall

recovery.
Lucas Industries, with a large

exposure to the continental European

although its grip on around one third

and diesel car systems markets augur

car industry, may prove to be late in the recovery cycle, thinks Smith,

of both Europe's foundation brake

well for 1995 and 1996.

market, after a promising opening to the reporting season, is now

4 per cent recently. Smith New Court

trading statement was cool.
The engineering vehicle sector

Consumer stocks continue to lose

supporters, as price competition and

managers chasing the utility stocks over the past fortnight. Water stocks

have outperformed by about 5.5 per

attraction will continue to score with

equity

Source: FT Graphile

Data deluge will set tone

for summer

NEW YORK

in the US, the Memorial Day weekend traditionally marks the beginning of silly season. As Wall Street gets back to work tomorrow after the three-day holiday, investors will face an avalanche of economic reports which could set the tone for the summer months.

Tuesday will bring news of personal income, consumer spending and new homes sales during April. The flow of data will intensify the next day, when the National Association of Purchasing Management will release its monthly survey of business activity. It will culminate with the Commerce Department's report on

May employment, due out Friday. The optimistic scenario sees stocks holding up well, even if the bond market slips further. The leading indices could show modest improvement if the data confirm expectations that the economy slowed slightly in May.

I think we are in a phase in which most of the monthly numbers will remain subdued," says Mr James Solloway, head of equity research at Argus in New York, whose estimates are generally below those

of his colleagues. If there are surprises, however, share prices could suffer a setback in sympathy with bonds. "We are faced with a bond market which still on the defensive," Mr Solloway says, "It will stay that way until it becon clear that monetary policy is tight

enough to slow the economy. If the NAPM index comes in at 60 or better, against a consensus forecast of 57, or if the gain in non-farm payrolls exceeds 300,000, against an expected rise of 285,000, the season may prove to be more sombre than silly. The next move by the Federal Reserve to tighter

INDICES AT A GLANCE

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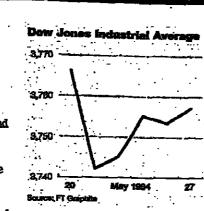
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Frank McGurty

money would then loom larger. A fortnight ago, the Fed seemed to suggest it would hold off further interest rate increases until autumn However, then it had not made any es, a point underscored on Friday by Alan Greenspan in testimony before Congress. The chairman did not spell out the Fed's intentions, but he stressed that uncertainties regarding the economy

His remarks left the bond market, already riding out a big bump caused by the Commerce Department's upward revision of its first-quarter Gross domestic product, on even shakier footing going into this week.
However, Mr Joseph McAlinden, director of research at Dillon Read in New York, believes stocks will hold steady despite the data barrage. "The markets may enter a temporary period of calm," he writes in his May advisory. He argues that none of the

policy tightening. He says the effect of tighter money on the economy will not show up until at least July. However, the analyst remains bearish. He characterises his lazy summertime scenario as the "eye of the hurricane", a period of calm in the middle of a two-phase market correction. "We continue to believe that the second leg will kick in when the end-of-the summer inflation

reports come in worst than expected."

Percentage Change
Oner On 12 Since
Lywest Samples Sen 1

reports this week will shed light on the impact of the Fed's series of four

LONDON

Collapse puts chartists back in limelight

The equity chartists are back in the limelight as the community of stock market analysts struggles to find its footing again after last week's collapse swept away many of the signposts. The fall of the Footsie to 3,150 was significant; the threat of 3,015 was very worrying. Are we heading for 2,910, and how seriously should we take the chartists' warnings that the next serious support levels are around 2,850 or

The downside argument, marshalled by Mr Nicholas Knight of Nomura Research – who has long seen the market at 2,800 - is that the failure of last week's bund auction pimpoints the probability that yields have further to rise, in the UK as well as in continental Europe. He says that rising interest rates are sinking investors' perceptions of equity valuation - "therefore, the narket is not getting any cheaper On the other hand, at Footsle 2,850, the equity yield would be around 150 basis points above expected

recovery began, Mr Ian Harnett at Strauss Turnbull, for one, finds this "an unlikely scenario". A more likely outcome, he believes, is a rising yield relative as economic growth continues, and a more stable valuation of UK

inflation, and the yield ratio at levels

last seen before the economic

None of this gave the market any protection as the stock index future contract on the Footsie plunged below 3,000. This happened several times last week - three times in one session, in fact - before the line was finally abandoned in a hurry on Friday afternoon. Given the importance of the future contract as a mechanism for portfolio

ZURICH

Sandoz holds an analysts meeting in London on Thursday and, says NatWest Securities, is likely to present last week's acquisition of Gerber as part of a strategic refocusing which emphasises food and pharmaceuticals as core businesses. NatWest expects the company to hint at further acquisitions in these sectors and divestments in non-core areas. It says that while this is likely to be well received by the market, it remains cautious following the Gerber acquisition, which brings with it little apparent synergy with the existing nutrition

OTHER MARKETS

Roche, whose certificates came under pressure after its acquisition of Syntex, has its annual general meeting tomorrow.In the insurance sector, Winterthur holds its annual news conference on already-announced results tomorrow and Zurich Insurance's annual news

conference takes place on Wednesday.

amsterdam

First-quarter figures come from ING and KLM on Thursday. Hoare Govett forecasts net attributable profit from ING up 11 per cent to F1 400m (\$217.4m), with profit improvements coming in all lines. Results will also benefit from the absence of losses at Orion and NRG, which were still

Hoare Govett expects KLM's growth in operating income to be much higher than growth in operating costs, and therefore estimates an operating loss of F? 128m against one of F1 266m in the same period of last

consolidated in the first quarter of

STOCKHOLM

The privatisation of Pharmacia expected to raise SKr13hn (\$1.7hn), begins on Wednesday with domestic investors being offered 40m shares, with a further 32m earmarked for foreign investors.

Four-month figures come from Saga Petroleum on Monday. Unibank forecasts turnover down to SKr1.88bm from SKr1.92bm, and net profits of SKr205m, after SKr209m last

TOKYO

Last week's rally of large capital steels and heavy industry stocks suggests that liquidity in the stock market is increasing. However, many corporate and financial investors are looking to sell holdings around the 20,800 to 20,900 level. So, while activity may increase, a sharp rise in prices is unlikely.

RISK AND REWARD

Fresh challenge for users of derivatives



world's bank and financial regulators are making heroic effort to adapt to the new challenges posed by interest rate, for-

eign exchange and equity derivatives, the world's bankers and broker-dealers are in the process of taking high-tech risk management to another

Derivatives, particularly the plain-vanilla type of interest rate swaps and options that help mitigate market risk. have become standard tools of treasury management. Once viewed as exotic, they have achieved widespread acceptance, a point underscored last week when Mr Alan Greenspan, chairman of the US Federal Reserve, asked Congress not to single out derivatives for regulatory reform.

Now, financiers are taking the applications of options and derivatives technology they've used to harness interest rate risk and applying them to to another broad area of institutional exposure: credit risk. Managing credit risk has long been the purview of bank-

ers and provided the bread and butter of credit rating agencies. Transfering, or trading the credit risks of a particular instrument or portfolio has, until recently, been difficult or impossible. Managing credit risk required a banker to deal directly with the the cash instrument in question.

Now, derivatives experts say transferring credit risk can be as easy as transferring interest rate risk, using tailored instruments written by the likes of Merrill Lynch, Bankers Trust and Credit Suisse First Boston. As with interest rate derivatives, these credit risk transfer instruments break down the various aspects of credit risk, repackage them, and make them available for an offsetting trade.

If a banker has exposure to senior corporate loans with rel-atively high yield and high might offer a choice of three derivatives strategies to man-age that risk, says Mr Joseph Arigilagos, head of the firm's investor strategies and credit derivatives group. "We might write a put option on the price of the debt, or an option on the credit spread between the yield on the loans and a Treasury instrument. It's even possible we could write options on the default risk of the loans," he

The options would insulate the banker if the credit risk of the loans rose, while still allowing him to keep the loans and collect the higher yield. Having written the specialised options, Merrill Lynch would reach into its global network of corporate credit dealings and perform trades that would offset its exposure to the deal.

These strategies and others are being used to manage credit risks for LDC loans, lowgrade bank loans, and junk bond portfolios. As do other derivatives, credit derivatives increase leveraged exposure, in this case to high-yielding debt. The strategies assume that for every person or company that has a natural credit exposure to be managed, there is another party willing to assume that credit risk in

return for higher yield.

The year-old move into credit derivatives has hardly been a calvary charge, but the bankers who are enthusiastically backing the new products predict that the credit-risk management business could boom into a \$1,000bn market in a matter of years. Some of their early attempts at credit derivatives marketing backfired when an early strategy repackaging low-grade debt into trust securities that were raissued as top-rated but high-yielding bonds - ran afoul of Standard and Poor's. The credit ratings agency insisted the rating of the credit derivative be linked to the ratings of the component junk bonds, and not to the rating of the

Laurie Morse

EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker in Beijing

Locals bedevilled by outside distractions

Last Friday offered distinct contrasts in sentiment on China's fledgling stock markets after President Clinton announced the renewal of China's privileged trade access to the US market.

In Shanghai, particularly, but also in Shenzen, B shares denominated in US and Hong Kong dollars for foreign ownership recovered strongly as the indices of A shares for local investors finished down in lacklustre trading.

After bottoming in April. Shanghai Bs rallied this month, in line with performance elsewhere in the Pacific Basin, excluding Japan. Most Favoured Nation renewal took them shead of the pack on Friday, with a gain of 4.7 per cent, Shenzen rising 2.6 per cent in

thin trading. However, local observers are not impressed. They note that the latest rally, which took Shanghai B shares up 12.5 per cent last week, was fuelled partly by the entry of Japanese investors into the market; but also that it follows a period of severe underperformance, with a preceding fall of 40 per cent

this year. Their scepticism is based on the poor performance of A shares, in which the bulk of trading is conducted and which have lost more than two thirds of their value since their highs in early 1993.

investors, who had besieged the markets when trading began several years ago, have



been deserting stocks in droves for bonds, currencies and futures - although the latter form of investment has hit a rocky patch under the weight of tighter government regula-

confidence, there would seem to be other more telling fac-

Among these is the psychology of the market inexperi-enced investors, starved of investment opportunities for so

38.91 15.74

July, 1991) without due regard

Market managers seeking an explanation for what is now a protracted downturn - the slide became a rout in the second half of last year hlame delays in the promulgation of a national securities law for the collapse of

But while it is true that slow progress towards formulating a National Securities law, now in its ninth draft, has harmed

many years, plunged into equi-ties (Shanghai opened in December, 1990 and Shenzen in

30.56 26,37 13.48 13.26

> for the quality of the stocks offered, or their earnings potential. Because of the limited number on offer, shares also enjoyed a scarcity value way out of proportion to likely returns. Inevitably, stock mar-

ket fever cooled after the initial burst of enthusiasm, leaving a long trail of casual-Indeed, hard-luck stock trading stories have become standard fare in the Chinese press. Some read like soap-opera scenes, with a surfeit of unhap-

ping endings - including suiin one case, which captured particular attention, a wife sued successfully a securities company for her husband's suicide. The hapless stock trader had jumped to his death after losing millions in margin

The authorities, sensing that

ties is harming a key element of their market reforms, have sought recently to bolster the markets, but this is likely to be a slow and complex process.

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Measures announced earlier this month included an effective freeze until next year on new stock listings and the requirement that companies seeking listings be obliged to undergo "six-month-long coaching by relevant departments."

China had planned to issue some Yuan5.5bn (US\$634m) of A shares in 1994, a similar figure to last year. But this target clearly has been abandoned. The freeze on A share listings will not affect B shares. The authorities are committed to adding further listings to the 42 traded on the Shanghai and

Shenzen bourses. China's official Business Weekly yesterday quoted an official of China Securities Regulatory Commission in Beijing as saying that, in an effort to lift the market, larger enterprises in energy, communications, transportation and railways would be considered for

B share listings. The authorities are also seeking to crack down on stock market abuses such as widespread insider trading and wilful peddling of misleading information. Exacerbating the problem is the fact that compames and brokerage houses are all state-owned.
The China Securities News, a

reported last week that securities regulators and police were joining forces to stamp out market manipulation and fraud by securities company officials, company directors and even by stock market reg-

plators themselves. Misuse of public funds in an evolving system where distinctions between public and pri-vate are often blurred is a considerable problem. In Shanghai in the first quarter of this year, the authorities reported 49 cases of stock-market speculation, involving public money of

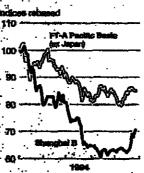
Yuan91.11m. Another factor bedevilling China's markets has almost certainly been the focus in the past year or so on listings ahroad. Nine mainland companies were cleared for listing in Hong Kong last year, and another 22 are under consideration for primary listings abroad this year – both in Hong Kong and on other

exchanges, such as New York and London. Foreign investors, including proliferating China funds, have tended to favour these opportunities above those on the mainland, partly because of greater confidence in the regulatory regimes of offshore exchanges and the discipline required of Chinese companies seeking

listings abroad. All of this is proving an immense challenge for China's hard-pressed stock-market reg-

The authorities, sensing that crumbling confidence in equi-Shanghai-based publication, for guiding what is largely an are no easy choices.

Philip Gawith



experimental market to matu-

With limited staff and resources, officials of the China Securities Regulatory Commission are being obliged to oversee a highly complex process that is far from immune to political interfer-ence. Not least of their problems is the artificial distinction between A and B shares.
Ideally, the distinction should be removed, but this does not seem possible until

the year becomes freely convertible, and that process may taken up to five years.

In the meantime, another option might be to allow local Chinese to purchase B shares in foreign currency, but the worry is that this would almost certainly further devastate the A share market. For



Thailand

The Stock Exchange of Thailand has agreed to lower the entry fee for four new brokerage seats from Bt350m (\$14m) to Bt305m, following vigorous complaints from the market watchdog, the Securities and Exchange Commission, and Thailand's 37 subbrokers, writes William Barnes. The revised fees are still much higher than the Bt200m suggested by the Commission, which has the power to insist that the charge be cut again. The \$12m entry fee is one of

the most expensive in the world: Tokyo, for example, charges \$9.5m, while Hong Kong and New York extract only a 10th of what Thailand's 40 full members expect to squeeze from newcomers. This is only a cosmetic reduction - the fee is still far too much. It makes the mem-

bers of the exchange look very cynical," said Mr Korn Chatikavanij, managing director of Jardine Fleming Thanakom Securities, one of the sub-brokers hoping for a seat. Stock exchange officials say the fees are needed to develop

the market and are based on the expected growth in the vol-ume of trading over the next five years; critics argue the members are trying to protect

their higher commissions. The SET has also signally failed to address the request of Mr Tarrin Nimmanahaeminda the finance minister, that it comes up with a sensible and explicit policy on admitting new members. The exchange says it will admit only four new members in two months time and merely review the situation every two years.

Three sub-brokers are strongly tipped for full memberships: JF Thanakom Securities, Ekachart Finance & Securities, and Nithipat Capital.

■ Taiwan

Mr Samuel Shieh, the central bank governor, denied a television report that the central bank had bowed to political pressure and agreed to raise the ceiling for foreign investment in the island's stock market from \$7.5bn to \$20bn. Taiwan raised the ceiling from \$5bn in March. Foreign institutions have been allowed

since early 1991. Emerging markets coverage appears daily on the World Stock Markets page.

to invest directly in Taiwan

URRENCY MARKETS				.		
US data	and	Buba	hold	key	to	d

The dollar will again be the focus of attention when traders return to their desks tomorrow, with central bank activity and US labour data likely to be

legemost in their thoughts. The dollar took a tumble last week the dollar took a tumble last week the comments from senior Bundestank officials left the impression that the pace of German interest rate reduction was likely to slow.

indesbank, has since said that he was

referring to official rates, so the repo-siction on Wednesday is likely to be Specy watched.
The main fecus, however, will be the release of US economic data - particularly the labour market statistics on

4-2-2

Whether shifting interest rates will be sufficient to support the dollar must be doubtful

Friday - but also the purchasing managers' index on Wednesday. Mr Paul Chertkow, head of global currency research at UBS in London, said that if the data supports the belief that growth in the current quarter is going

to be above 4 per cent, then the market

will start speculating about another

monetary tightening. Whether shifting interest rates will be sufficient to support the dollar mustbe doubtful. The currency has failed recently to benefit from interest rate differentials moving substantially in its

favour. In the short term the dollar is more likely to be led by developments in Japan. The announcement last week that US-Japan trade talks would resume should have been dollar positive, but its effect was evident for less than 24

hours. A possible wild card would be a lowering of short term interest rates by the Bank of Japan. Consumer inflation figures, released last Friday, showed infla-

tion was still very low, at only 0.8 per cent in the year to April. Sceptics are still predicting a softer dollar. Swiss Bank Corporation, in its latest currency commentary, recommends clients to "sell US dollars for a renewed test of the historic lows." SBC says a rally to Y106-7 will not arrest the

downward trend that will take the dol-

lar to Y98-96.

in Europe attention will revert to the drachma and the escudo, both of which have been under selling pressure recently. Traders are predicting that the escudo will be in the firing line again, while the Bank of Greece's intention to lower interest rates could put the drachma under renewed pressure.

ndex	27/5/94	Week on week Actual	k movement Percent	Month on monti Actual	n movement Percent	Year to date Actual	inovemen Percent
World (264)	157.90	2.63	1.70	6.05	3.98	-10.51	-6.24
Attin America						٠.	
Argentina (19)	116.76	-1,84	-1.55	12.06	11.52	1.38	1,19
Brazil (21)	146,80	6.07	4.31	4.32	3.03	7.15	5.12
Chile (12)	183,57	9.44	5.42	15,84	9.45	96.03	24,42
Mexico (24)	145,01	3.64	2.57	7,52	5.47	-16.25	-10.08
atin America (76)	146,88	3.86	2.70	8,57	6.20	-2.36	-1.58
Europe						_	
Greece (14)	79,74	-3.85	-4.60	-12.21	-13.28	-3.36	4.04
Portugal (14)	112.01	-4.90	~4.19	-11.96	-9.65	-0.11	-4,04
Turkey (22)	61,04	1.62	2.73	2.71	4.64	-100.87	-0.10
Europe (50)	90.22	-3.23	-3,46	-9.13	-9.19	-22.02	-82.25
laie							-19.62
ndonesia (20)	155.88	4.76	3.15	15.88	11.34	46.45	
Corea (23)	130.24	-0.01	-0.01	8.20	6.72	-15.18	-8.86
Valaysia (22)	211.07	-0.04	-0.02	-1.61	-0.78	20.54	18.72
aldstan (10)	103.80	0.21	0.20	-8,57	-7.63	-41.98	-18.59
hillippines (11)	289.95	12.78	4.61	19.29		-7.89	-7.06
halland (22)	232.41	10.44	4.70	22.49	7.13	-32.53	-10.09
Faiwan (30)	143.58	-4.21	-2.85	-5.41	10.71	-31.14	-11.82
Asta (138)	198.28	1.95	0.99		-3.63	-10.15	-6.60
	19020		U.58	5.40	2.80,	~ ¹ -23.14	-10.45

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MONDAY

Franco-German summit

A two-day Franco-German summit begins in Mulhouse, France, between President François Mitterrand and Chancellor Helmut Kohl. They are expected to commit themselves to a common European Union programme for their consecutive presidencies over the next 12 months, beginning with the German term in July. Job creation, opening the market to eastern Europe, and making the Maastricht treaty work are key themes. They must also agree on a favoured candidate for the future presidency of the European Commission, to be finalised at the EU summit

Mad cow fever: European Union agriculture ministers meet in Brussels today and tomorrow to discuss farm prices and how to respond to German pressure to ban all imports of British beef because of the risk of BSE, or mad cow disease.

Crimea: An ultimatum from Ukrainian president Leonid Kravchuk (below) for the Crimean parliament to reverse its virtual declaration of independence runs out today.



the parliament decided to adopt a separate constitution for the peninsula whose population is more than two-thirds Russian and which was part of Russia until 1954. The

On May 20.

move was regarded as a prelude to Ukraine has moved in national

guardsmen and armoured personnel carriers, but has also opened a dialogue with Crimea's parliamentarians and sworn to eschew violence.

East Timor is the subject of a conference being held in Manila, capital of the Philippines (to June 4). The meeting, organised by private groups, is to debate Indonesia's 1976 annexation of the former Portuguese colony and alleged human-rights abuses on the

Telecoms ministers from the European Union meet in Brussels to discuss among other things trans-European data highways, and a discussion paper on mobile telephones.

Croatian currency: Croatia is from today, Croatian Statehood Day, reviving the kuna, the currency used by the Nazi puppet Ustashe regime of the second world war. The kuna, which is replacing the Croatian dinar introduced at independence in 1991, will be pegged to the D-Mark at the rate of 4 kunas to 1 D-Mark.

Holidays: UK (Spring Bank Holiday). US (Memorial Day); Congress is in recess all week.

TUESDAY

Bank of Italy annual report

Antonio Fazio (below), the governor of the Bank of Italy, presents his annual report on the economic and financial state of the country. Mr Fazio's



his second in office, is keenly awaited as the key indica tor of how the bank assesses the policy options of the Berlusconi government.

will also be read for any hint that the bank might fear political interference from a government which does not necessarily see eye to eye with Mr Fazio and his team.

Algeria meets its chief western creditors in Paris to discuss the terms under which it will reschedule that part of its \$14.5bn foreign debt owed to foreign governments.

Germany's leading industry association, the Bundesverband der Deutschen Industrie, will consider the outlook for German industry at its annual assembly in Bonn. Chancel-lor Helmut Kohl and other leading politicians will address the gathering.

Guatemala talks: Representatives of the Guatemalan government and guerrillas meet in Oslo for peace talks (to June 4).

UK economy: The release of May's narrow money supply figures is likely to fuel debate about inflationary pressures in the UK economy. The market predicts that M0, which largely measures notes and coins in circulation, grew by 7.1 per cent in May, measured year on year, compared to 6.2 per cent in Anril.

Government officials point out this rise partly reflects strong retail sales and low interest rates. But with M0 growth running well above the government's target range of 0-4 per cent, a large monthly jump will intensify speculation about future monetary tightening.

Non-Aligned Movement: Foreign ministers of the Non-Aligned Movement gather in Egypt for a meeting expected to focus on the fighting in Bosnia and Rwanda and to set out plans to tackle the economic problems of developing nations. The ministers are likely to decide on whether to grant official guest status to Russia. Belgrade

Light up at your peril: Today is World No Tobacco Day.

FT Surveys: German Banking and Finance and The Computer Industry: The Battle for the Desktop.

Apr industrial productions

May agriculture prices

May foreign exchange reserves

Apr construction spending

Initial claims, w/e May 28

May auto sales

May NAPM index

May official reserves

Holidays: South Africa (Republic

WEDNESDAY

UN names pleasantest land

The United Nations Development Programme publishes its fifth annual Human Development Report, which aims to measure quality of life rather than simply economic growth. Its core is the Human Development Index. ranking 173 countries by a measure that combines life expectancy, educational standards and basic purchasing power. Canada is expected to be ranked

Its appearance is timed to coincide with the start of the United Nations Conference on Trade and Development at the World Bank headquarters in Washington, DC.

German economy: With the markets increasingly pessimistic about the chance of a further interest rate cut from the Bundesbank, April's out-put figures are likely to be watched for signs of the recession bottoming out. The markets expect to see industrial production up 0.4 per cent in April, after falling 0.8 per cent in March. Although a recent survey showed German business confidence had also risen in April, many analysts remain doubtful about the strength of any pick-up.

George Walker, former chairman and chief executive of Brent Walker, the heavily indebted leisure and property group, and Wilfred Aquilina, former group finance director, go on trial at Southwark Crown Court, south-east London, charged with conspiracy, theft of £12.5m from the company and false accounting.

Euro poli:



have become increasingly ambivalent not to say Eurosceptical about the goal of political and monetary union enshrined in the Maastricht

Europeans

treaty. Just over a week before the elections for the European parliament on June 9 and 12, an FT opinion poll across all 12 EU countries provides a wide-ranging survey of Europeans' feelings and forecasts about the future of the continent. The poll, carried out in association with seven other European newspapers, throws light on divergences in European attitudes on the widening and deepening of the EU.

Bill Clinton leaves Washington for his second European trip of the year, pegged to the D-Day commemorations but with room for political business on the side. His first stop will be Italy. Racing: The Derby is run at Epsom. south of London.

Holidays: Kenya (Madaraka Day).

Statistics to be released this week

US

US

US

ECONOMIC DIARY

-2.5%

57.5%

0.8%

\$25m

4.6%

-1.4%

-6.6%

2.8%

57.7%

0.8%

\$19m

366,000

THURSDAY

Bosnia factions at UN talks

in Geneva for talks on a comprehensive ceasefire in Bosnia (to June 3). It is understood that the warring factions could be prepared to sign a four-month, Bosnia wide ceasefire. This would be likely to entail interposing UN troops between the combatants, the creation of a buffer zone and withdrawal of heavy weapons. Last week, Bosnian Serb forces agreed to allow UN observers to patrol freely in the heavy weapons exclusion zone around the Moslem town of Gorazde in eastern Bosnia.

Chambers of Commerce: About 500 executives gather in Birmingham for the British Chambers of Commerce annual conference (to June 3).



environment, finance and, of course, govpean and economic policy. Speakers

include foreign secretary Douglas Hurd and secretary of state for trade and

Children's rights: Romanian government hosts a conference in Buc-

india: bank staff plan two-day strike. FT Surveys: Belgium and Foreign

> Belgium's political and business leaders are regaining after a year in which the was to ride out the cour try's worst recession for

Cricket: England plays New Zealand in the first Test at Trent Bridge (to

Holldays: Austria, Brazil, Chile, parts of Germany, Portugal (Corpus Christi).

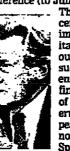
State benefits, w/e Mey 21

Apr leading indicators

Apr factory orders



Serb, Croat and Moslem leaders meet



The main concern is the impact on profitability of outside factors such as the ernment, Euro-

industry Michael Heseltine (above).

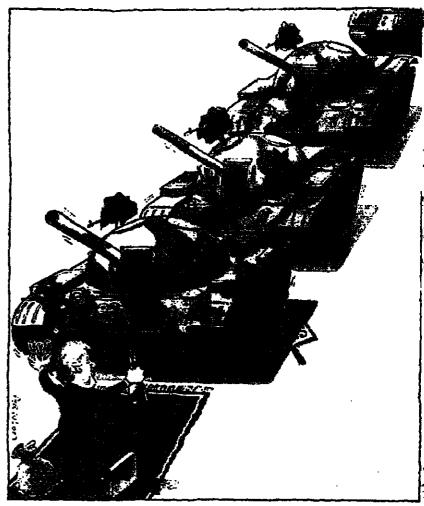
Education: John Patten, UK education secretary, risks humiliation when he addresses the annual conference of the National Association of Head Teachers at Eastbourne today. Last year, he was booed, hissed and heckled at the conference, which coincided with the height of the controversy over national curriculum tests. A year later, there are signs of increasing anger among heads over new requirements for teaching religious education, while the indications are that only marginally more tests were taken in secondary schools this year.

harest with UN and Save the Children.



their confidence prime objective

0.7%



June 4 is the fifth anniversary of the Tiananmen massacre



FRIDAY

FDP annual conference

Germany's ailing Free Democratic Party gathers in Rostock, on the Baltic coast, where Klaus Kinkel. party leader and foreign minister, will try to revive his troops. The party is in danger of failing to win any seats in the European elections on June 12, and ending up too weak in October's general election to perform its traditional role of king-maker in the ruling coalition.

World Environment Day sees the UK hosting a conference on the United Nations environment programme at the Queen Elizabeth II Conference Centre in London. The Global 500 environmental awards will be presented.

Lloyd Bentsen, US Treasury secretary will deliver "a major policy speech" at a lunch hosted by the Confederation of British Industry in London. It will touch on world trade, for eign investment in the US and current US economic policy.

D-Day anniversary: US president Bill Clinton in Italy to meet the Berlusconi government and Pope John Paul, and attend commemorations of the Anzio and Nettuno allied landings during the second world war.

Actual

0.7%

1_1%

2,808,000

4-5

WEEKEND

OAS general assembly

The 34 members of the Organisation of American States gather on Sunday in the northern Brazilian city of Belém (to June 10). On the agenda are democracy and human rights, environmental issues, drugs and the region's economy.

Inhuman rites: A protest March leaves Oxford on Saturday for nearby Campsfield detention centre, where would-be immigrants can be held indefinitely while it is decided whether they have a right to enter the UK.

Motor racing: isle of Man Tourist Trophy races start (to June 10).

Rughy: England play South Africa in the first test in Pretoria on Saturday. The Royal Academy of Art's

summer exhibition opens (to Aug 14). visits the UK. On Saturday, he visits a US military cemetery in Cambridge, then lunches at Chequers with John Major, before a state banquet hosted by the Queen. On Sunday, the US president reviews

the D-Day flotilla from the Royal Yacht. Compiled by Patrick Stiles and Ian Holdsworth, Fax: (+44) (0)71 873 3194.

Other economic news

Tuesday: With the dollar still weak, attention will focus on this week's spate of US industrial and monetary data. Figures published today are expected to show a slight drop in personal consumption in April, but little change in consumer confidence in May.

Mon

Japar

Wednesday: In the UK, the purchasing managers' index is likely to provide further evidence of recovery. Last month, it rose to its highest level ever. Another strong figure would suggest the pick-up in manufacturing continued into May. Thursday: Speculation about French interest rates will be

raised when the Bank of France holds its council meeting. Although the Bundesbank's failure to cut rates last week suggests that the Freuch authorities will also sit tight, some analysts believe a small monetary easing, of around 10 basis points, is possible.

Friday: A flood of US data will shed further light on the strength of the US recovery. The May non-farm payroll is expected to show a small rise, with a larger rise in the manufacturing pay roll. But home completion and car sales figures are expected to remain

May 30 Japan Apr shipments† 4.8% Tue Japan Apr unemployment rate 2.9% May 31 Japan Apr job offers to seekers ratio 0.66 0.65 Mar coincident Index 40.0% Mar leading diffusion index 45.0% Japan Apr construction orders' -15.0% Apr housing starts" -0.7% Japan Apr construction starts' -4.1% May M0° 0.3% 1.9% May M0" UΚ 7.1% 6.2% May CIPM (purch mgrs) survey UΚ 58.0% US 0.5% Apr personal income 0.6% US Apr personal consump expenditure 0.4% 0.4% US Apr new home sales 739,000 739,000 US May consumer confidence 91.7 UŞ May Chicago NAPM† 67.6% U\$ Johnson Redbook - w/e May 28 -2.7%

	US	Apr factory inventories	-	-0.1%
	US	M1 - w/e May 23	\$2.3bn	\$1.0bn
	US	M2 - w/e May 23	\$1.05n	\$2.9bn
	US	M3 - w/e May 23	\$2.3bn	-\$6.1bn
	US	O1 industrial cap utilisation	•	79.7%
Friday	UK	Apr final money data	•	n/a
June 3 US US US US US US US US US	US	May hourly earnings	0.3%	0.3%
	US	May everage workweek	-	34.7
	US	May nonfarm payroll .	275,000	267,000
	us	May manufacturing payrolls	15,000	3,000
	U\$	May unemployment rate	6.4%	6.4%
	US	Apr home completions	-	1.25m
	US	May domestic auto sales	7.3m	7.4m
	US	May domestic light truck sales	5.7m	5.7m
During t	he week			
-	Germany	Apr ICON construction climate	n/a	82
	Germany	Apr import prices*	0.3%	-0.4%
	Сетпалу	Apr import prices**	0.3%	0.8%
	Germany	Apr industrial production*	0.4%	-0.8%
	Germany	Apr manufacturing output*	0.5%	-1.6%
	Germany	Apr manufacturing orders*	0.7%	2.9%

ACROSS 1 Nurse has bad luck in Kent

4 Caustic point might make the accountant object (8)
10 Understand to have run off after consumption led to indi-

11 Speak badly of transport in a European context (5)
12 Read about how expensive it 13 Knot made in merino's skein

15 Unsteady dog (7)
16 Leading Tory managed the church like a dream (6) 19 in part, the way ahead for Mercury, perhaps (6)

21 In extreme generosity Law-rence left dozens on dozens 23 Or had so few opted for look at the future? (10)

vented from leaving (6)
30 Unexcitable way of telephoning about oil spill (6)

1 He'd get into cryptic clues 2 Larch scattered outside a standard area of brushwood French at the Centre (4) Argue about price - it contains a wrong figure (7) He always has the last word in foreign exchange (10) Alumni return having lost a thousand on the plant (5)

US

Japar

Japar

us

US

US

Thursday UK

June 2

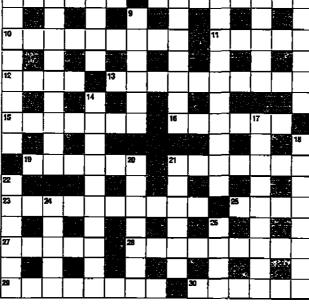
Wed

June 1

8 People to fear at present time? 9 Drink up to the woman drug Lorelei is such a jewel! (10) Coppers to call for imprison-18 Staple food is dearer by default (3-5)

20 A priest disposed to trudge mistake (4)
27 Picture of a Middle Eastern shell company (5)
28 Exotic spice in new diet is killing the termites (9)
29 Note the communist is prevented from leaving (8)

1 Bird's complaint (6)
22 Two fellows caught out outside a little wood (6)
24 Send the right item off (5)
25 Fog on two roads (4)



MONDAY PRIZE CROSSWORD

No.8.466 Set by ADAMANT A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday June 9, marked Monday Crossword 8,466 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 13.

Winners 8,45-

Lucy James, Bournville, Birmingham Mrs M. Broadbent, Fontainebleau. France D.A. Herbert, Leicester R.D. Kinh, Borgue, Kirkcudbright T.L. Richardson, London SW1

Solution 8,454

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> Of broking and jobbing the Pelikan's fond, See how sweetly he puts your word onto bond. Selikan (?)

JOTTER PAD